# WAL MART STORES INC

## FORM 10-K
(Annual Report)

## Filed 3/31/2005 For Period Ending 1/31/2005

| | |
|---|---|
| Address | 702 SOUTHWEST 8TH ST |
| | BENTONVILLE, Arkansas 72716 |
| Telephone | 501-273-4000 |
| CIK | 0000104169 |
| Industry | Retail (Department & Discount) |
| Sector | Services |
| Fiscal Year | 01/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

☒ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**for the fiscal year ended January 31, 2005,**

**or**

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission file number 1-6991.**

WAL★MART®
ALWAYS LOW PRICES.
Always.

# WAL-MART STORES, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **71-0415188**<br>**(IRS Employer Identification No.)** |
| **702 S.W. 8th Street**<br>**Bentonville, Arkansas**<br>**(Address of principal executive offices)** | **72716**<br>**(Zip Code)** |

**Registrant's telephone number, including area code: (479) 273-4000**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| **Common Stock, par value $0.10 per share** | **New York Stock Exchange**<br>**Pacific Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of July 31, 2004, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing price of those shares on the New York Stock Exchange on July 31, 2004, was $133,475,003,872. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers and beneficial owners of 5% or more of the registrant's common stock are the affiliates of the registrant.

The registrant had 4,233,002,095 shares of common stock outstanding as of March 21, 2005.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Annual Report to Shareholders for the fiscal year ended January 31, 2005, are incorporated by reference into Parts I and II of this Annual Report on Form 10-K (this “Form 10-K”). Portions of our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 3, 2005, are incorporated by reference into Parts II and III of this Form 10-K. Those materials are included as exhibits to this Form 10-K.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Report on Form 10-K, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements included or incorporated by reference in this Form 10-K and those reports, statements, information and announcements address activities, events or developments that Wal-Mart Stores, Inc. (together with its subsidiaries hereinafter referred to as “we,” “Wal-Mart” or the “Company”) expects or anticipates will or may occur in the future, including the amount and nature of future capital expenditures, opening of additional stores and clubs in the United States, opening of additional units in the other countries in which we operate, conversion of Discount Stores into Supercenters, anticipated levels of change in comparative store sales from one period to another period, expansion and other development trends of retail industry, our business strategy, our financing strategy, expansion and growth of our business, changes in our operations, including the mix of products sold, our liquidity and ability to access the capital markets, our anticipated earnings per share for certain periods, and other similar matters. Although we believe the expectations expressed in the forward-looking statements included in this Form 10-K and those reports, statements, information and announcements are based or will be based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause our actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. Many of these factors have previously been identified in filings or statements made by us or on our behalf.

Our business operations are subject to factors outside our control. Any one, or a combination, of these factors could materially affect our financial performance, business strategy, plans, goals and objectives. These factors include: the cost of goods, labor costs, the cost of fuel and electricity, the cost of healthcare, competitive pressures, inflation, accident-related costs, consumer buying patterns and debt levels, weather patterns, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, changes in tax law, the outcome of legal proceedings to which we are a party, unemployment levels, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions. The foregoing list of factors that may affect our performance is not exclusive. Other factors and unanticipated events could adversely affect our business operations and financial performance. Forward-looking statements that we make or that are made by others on our behalf are based on a knowledge of our business and the environment in which we operate, but because of the factors described and listed above, actual results may differ materially from those contemplated in the forward-looking statements. Consequently, this cautionary statement qualifies all of the forward-looking statements we make herein and that are incorporated by reference herein. We cannot assure the reader that the results or developments anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We assume no obligation to update any of the forward-looking statements.

Our business operations, financial condition and results of operations are subject to certain risks. For further information, see the caption “Risk Factors” under “Item 1. Business.”

**WAL-MART STORES, INC.**
**ANNUAL REPORT ON FORM 10-K**
**FOR THE FISCAL YEAR ENDED JANUARY 31, 2005**

# PART I

## ITEM 1. BUSINESS

### General

Wal-Mart Stores, Inc. (“Wal-Mart” or the “Company”) operates retail stores in various formats around the world. Wal-Mart is committed to growing by improving the standard of living for our customers throughout the world. We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices (“EDLP”) while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity. Our fiscal year ends on January 31. During the fiscal year ended January 31, 2005, we had net sales of $285.2 billion.

Our Wal-Mart Stores segment is the largest segment of our business, accounting for 67.3% of our fiscal 2005 sales. This segment consists of three different retail formats, all of which operate in the United States, including:

- Discount Stores, which average approximately 100,000 square feet in size and offer a wide assortment of general merchandise and a limited variety of food products;
- Supercenters, which average approximately 187,000 square feet in size and offer a wide assortment of general merchandise and a full-line supermarket; and
- Neighborhood Markets, which average approximately 43,000 square feet in size and offer a full-line supermarket and a limited assortment of general merchandise.

Our SAM’S CLUB segment consists of membership warehouse clubs which operate in the United States and accounts for 13.0% of our fiscal 2005 sales. Our focus for SAM’S CLUB is to provide exceptional value on brand-name merchandise at “members only” prices for both business and personal use. Our SAM’S CLUBs average approximately 128,000 square feet in size.

Our International segment consists of retail operations in eight countries and Puerto Rico. This segment generated 19.7% of our fiscal 2005 sales. The International segment includes several different formats of retail stores and restaurants, including Discount Stores, Supercenters and SAM’S CLUBs that operate outside the United States. Additionally, we own an unconsolidated minority interest of approximately 37% of The Seiyu, Ltd. (“Seiyu”), a retailer in Japan.

We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716.

### The Development of Our Company

Although Wal-Mart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders’ business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a Discount Store, was opened. In fiscal 1984, we opened our first three SAM’S CLUBs, and in fiscal 1988, we opened our first Supercenter. In fiscal 1999, we opened our first Neighborhood Market.

In fiscal 1992, we began our first international initiative when we entered into a joint venture in Mexico, in which we had a 50% interest along with Cifra S.A. de C.V. (“Cifra”). In fiscal 1998, we acquired the controlling interest in Cifra, and in February 2000, Cifra officially changed its name to Wal-Mart de Mexico, S.A. de C.V. Since fiscal 1992, our international presence has continued to expand and at January 31, 2005, we had international operations in Argentina, Brazil, Canada, Germany, Mexico, Puerto Rico, South Korea and the United Kingdom. We also operate through joint ventures in China and own a minority interest in Seiyu.

At January 31, 2005, we operated in the United States 1,353 Discount Stores, 1,713 Supercenters, 551 SAM’S CLUBs and 85 Neighborhood Markets. Internationally, at January 31, 2005, the Company operated units in Argentina (11), Brazil (149), Canada (262), Germany (91), South Korea (16), Mexico (679), Puerto Rico (54) and the United Kingdom (282). We also operated 43 stores through joint ventures in China at January 31, 2005. Additionally, Seiyu then operated 403 stores throughout Japan.

Our growth, measured both by our net sales and net income, occurs in large measure as a result of our domestic and international expansion programs along with comparative store sales increases. We consider comparative store sales to be sales at stores that were open as of February 1st of the prior fiscal year and which have not been expanded or relocated since that date. Comparative store sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparative store sales varies across the retail industry. As a result, our calculation of comparative store sales is not necessarily comparable to similarly titled measures reported by other companies.

The following tables provide summary information concerning the additions of units and square footage for Discount Stores, Supercenters, Neighborhood Markets and SAM'S CLUBs in the United States, and international units in each of our fiscal years from 2001 through 2005.

**WAL-MART STORES SEGMENT STORE COUNT**
**FISCAL YEARS ENDED JANUARY 31, 2001 THROUGH 2005**

**STORE COUNT (1)**

| | Wal-Mart Discount Stores | | | | Wal-Mart Supercenters | |
|---|---|---|---|---|---|---|
| Fiscal Year | Opened | Closed | Conversions (2) | Total | Opened (2) | Total |
| Balance Forward | | | | 1,801 | | 721 |
| 2001 | 41 | 2 | 104 | 1,736 | 167 | 888 |
| 2002 | 33 | 1 | 121 | 1,647 | 178 | 1,066 |
| 2003 | 43 | — | 122 | 1,568 | 192 | 1,258 |
| 2004 | 41 | 1 | 130 | 1,478 | 213 | 1,471 |
| 2005 | 36 | 2 | 159 | 1,353 | 242 | 1,713 |

| | Neighborhood Markets | | Total Wal-Mart Segment | | |
|---|---|---|---|---|---|
| Fiscal Year | Opened | Total | Opened (3) | Closed | Ending Balance |
| Balance Forward | | 7 | | | 2,529 |
| 2001 | 12 | 19 | 116 | 2 | 2,643 |
| 2002 | 12 | 31 | 102 | 1 | 2,744 |
| 2003 | 18 | 49 | 131 | — | 2,875 |
| 2004 | 15 | 64 | 139 | 1 | 3,013 |
| 2005 | 21 | 85 | 140 | 2 | 3,151 |

(1) Totals and Ending Balances are as of January 31, of the years shown.
(2) Includes conversions and relocations of Discount Stores to Supercenters.
(3) Total opened, net of conversions and relocations of Discount Stores to Supercenters.

## WAL-MART STORES SEGMENT NET SQUARE FOOTAGE GROWTH
## FISCAL YEARS ENDED JANUARY 31, 2001 THROUGH 2005

### NET SQUARE FOOTAGE (in thousands) (1)

| | Wal-Mart Discount Stores | | Wal-Mart Supercenters | |
|---|---|---|---|---|
| Fiscal Year | Net Reductions (2) | Total | Net Additions (3) | Total |
| Balance Forward | | 170,786 | | 130,713 |
| 2001 | (5,411) | 165,375 | 31,885 | 162,598 |
| 2002 | (7,689) | 157,686 | 34,844 | 197,442 |
| 2003 | (5,773) | 151,913 | 37,169 | 234,611 |
| 2004 | (6,848) | 145,065 | 40,456 | 275,067 |
| 2005 | (9,584) | 135,481 | 44,989 | 320,056 |

| | Neighborhood Markets | | Total Wal-Mart Segment | |
|---|---|---|---|---|
| Fiscal Year | Net Additions | Total | Net Additions | Total |
| Balance Forward | | 320 | | 301,819 |
| 2001 | 578 | 898 | 27,052 | 328,871 |
| 2002 | 520 | 1,418 | 27,675 | 356,546 |
| 2003 | 743 | 2,161 | 32,139 | 388,685 |
| 2004 | 617 | 2,778 | 34,225 | 422,910 |
| 2005 | 843 | 3,621 | 36,248 | 459,158 |

(1) Totals are as of January 31, of the years shown.
(2) Includes the square footage of new Discount Stores opened, net of Discount Stores closed, converted or expanded into Supercenters or relocated into Supercenters.
(3) Includes conversions and relocations of Discount Stores to Supercenters.

## SAM'S CLUB SEGMENT CLUB COUNT AND NET SQUARE FOOTAGE GROWTH FISCAL YEARS ENDED JANUARY 31, 2001 THROUGH 2005

| | CLUB COUNT (1) | | | NET SQUARE FOOTAGE (in thousands) (1) | |
|---|---|---|---|---|---|
| Fiscal Year | Opened | Closed | Total | Net Additions | Total |
| Balance Forward | | | 462 | | 56,227 |
| 2001 | 13 | — | 475 | 1,774 | 58,001 |
| 2002 | 25 | — | 500 | 3,778 | 61,779 |
| 2003 | 25 | — | 525 | 3,968 | 65,747 |
| 2004 | 13 | — | 538 | 2,397 | 68,144 |
| 2005 | 13 | — | 551 | 2,533 | 70,677 |

(1) Totals are as of January 31, of the years shown.

## INTERNATIONAL SEGMENT UNIT COUNT
## FISCAL YEARS ENDED JANUARY 31, 2001 THROUGH 2005

### STORE COUNT (1)

| Fiscal Year | Argentina: Wal-Mart Supercenters | Brazil: Wal-Mart Supercenters | Brazil: SAM'S CLUBs | Brazil: Other (2) | Brazil: Total | Canada: Wal-Mart Stores | Canada: SAM'S CLUBs | Canada: Total |
|---|---|---|---|---|---|---|---|---|
| 2001 | 11 | 12 | 8 | — | 20 | 174 | — | 174 |
| 2002 | 11 | 12 | 8 | 2 | 22 | 196 | — | 196 |
| 2003 | 11 | 12 | 8 | 2 | 22 | 213 | — | 213 |
| 2004 | 11 | 13 | 10 | 2 | 25 | 231 | 4 | 235 |
| 2005 | 11 | 17 | 12 | 120 | 149 | 256 | 6 | 262 |

| Fiscal Year | China: Wal-Mart Supercenters | China: SAM'S CLUBs | China: Neighborhood Market | China: Total | Germany: Supercenters | South Korea: Wal-Mart Supercenters |
|---|---|---|---|---|---|---|
| 2001 | 10 | 1 | — | 11 | 93 | 6 |
| 2002 | 15 | 3 | 1 | 19 | 95 | 9 |
| 2003 | 20 | 4 | 2 | 26 | 94 | 15 |
| 2004 | 28 | 4 | 2 | 34 | 92 | 15 |
| 2005 | 38 | 3 | 2 | 43 | 91 | 16 |

| Fiscal Year | Mexico: Wal-Mart Supercenters | Mexico: SAM'S CLUBs | Mexico: Other(3) | Mexico: Total | Puerto Rico: Wal-Mart Stores | Puerto Rico: Wal-Mart Supercenters | Puerto Rico: SAM'S CLUBs | Puerto Rico: Amigo Stores | Puerto Rico: Total |
|---|---|---|---|---|---|---|---|---|---|
| 2001 | 32 | 38 | 413 | 483 | 9 | — | 6 | — | 15 |
| 2002 | 62 | 46 | 427 | 535 | 9 | 1 | 7 | — | 17 |
| 2003 | 75 | 50 | 456 | 581 | 9 | 1 | 9 | 33 | 52 |
| 2004 | 83 | 53 | 487 | 623 | 9 | 3 | 9 | 32 | 53 |
| 2005 | 89 | 61 | 529 | 679 | 9 | 4 | 9 | 32 | 54 |

| Fiscal Year | United Kingdom: ASDA Stores | United Kingdom: ASDA Supercenters | United Kingdom: Other | United Kingdom: Total | Store Count Grand Total |
|---|---|---|---|---|---|
| 2001 | 238 | 3 | — | 241 | 1,054 |
| 2002 | 244 | 6 | — | 250 | 1,154 |
| 2003 | 248 | 10 | — | 258 | 1,272 |
| 2004 | 253 | 12 | 2 | 267 | 1,355 |
| 2005 | 256 | 19 | 7 | 282 | 1,587 |

(1) Totals are as of January 31, of the years shown.
(2) Includes 118 units acquired from Bompreço S.A. Supermercados do Nordeste in February 2004.
(3) At January 31, 2005, includes 162 Bodegas (combination discount and grocery stores), 50 Suburbias (specialty department stores), 48 Superamas (traditional supermarkets) and 269 Vips (restaurants) compared to 140 Bodegas, 52 Suburbias, 44 Superamas and 251 Vips at January 31, 2004. Excludes Vips franchises for all years presented.

## INTERNATIONAL SEGMENT NET SQUARE FOOTAGE GROWTH
## FISCAL YEARS ENDED JANUARY 31, 2001 THROUGH 2005

### NET SQUARE FOOTAGE (in thousands) (1)

| | Argentina | | Brazil | | Canada | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **Net Reductions** | **Total** | **Net Additions (2)** | **Total** | **Net Additions** | **Total** |
| Balance Forward | | 2,341 | | 2,216 | | 19,460 |
| 2001 | (166) | 2,175 | 819 | 3,035 | 1,020 | 20,480 |
| 2002 | — | 2,175 | 108 | 3,143 | 2,488 | 22,968 |
| 2003 | — | 2,175 | — | 3,143 | 1,774 | 24,742 |
| 2004 | — | 2,175 | 227 | 3,370 | 2,469 | 27,211 |
| 2005 | — | 2,175 | 8,023 | 11,393 | 2,742 | 29,953 |

| | China | | Germany | | South Korea | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **Net Additions** | **Total** | **Net Additions / (Reductions)** | **Total** | **Net Additions** | **Total** |
| Balance Forward | | 812 | | 9,295 | | 625 |
| 2001 | 837 | 1,649 | (93) | 9,202 | 223 | 848 |
| 2002 | 1,266 | 2,915 | 4,217 | 13,419 | 850 | 1,698 |
| 2003 | 1,110 | 4,025 | (157) | 13,262 | 1,194 | 2,892 |
| 2004 | 1,688 | 5,713 | 6 | 13,268 | 17 | 2,909 |
| 2005 | 1,837 | 7,550 | (118) | 13,150 | 195 | 3,104 |

| | Mexico | | Puerto Rico | | United Kingdom | | Grand Total | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **Net Additions** | **Total** | **Net Additions** | **Total** | **Net Additions** | **Total** | **Net Additions** | **Total** |
| Balance Forward | | 19,719 | | 1,749 | | 18,825 | | 75,042 |
| 2001 | 2,310 | 22,029 | 35 | 1,784 | 453 | 19,278 | 5,438 | 80,480 |
| 2002 | 6,904 | 28,933 | 320 | 2,104 | 942 | 20,220 | 17,095 | 97,575 |
| 2003 | 3,173 | 32,106 | 1,078 | 3,182 | 721 | 20,941 | 8,893 | 106,468 |
| 2004 | 3,228 | 35,334 | 296 | 3,478 | 1,026 | 21,967 | 8,957 | 115,425 |
| 2005 | 3,799 | 39,133 | 118 | 3,596 | 1,361 | 23,328 | 17,957 | 133,382 |

(1) Totals are as of January 31, of the years shown.
(2) Includes 7,581 square feet for the 118 units acquired from Bompreço S.A. Supermercados do Nordeste in February 2004.

Much of our growth internationally in recent years has resulted from our acquisition of existing operations in various countries. During May 2002, the Company acquired its initial 6.1% stake in Seiyu, a Japanese retail chain, for approximately $51 million. In December 2002, the Company acquired 192.8 million additional shares in Seiyu for approximately $432 million through the exercise of the first in the series of warrants previously granted to us. Following this exercise and our purchase of 29.3 million additional Seiyu shares in other Seiyu securities offerings, our ownership percentage in Seiyu increased to approximately 37%. Through a series of warrants exercisable through 2007, we can contribute approximately ¥235 billion, or $2.3 billion at a January 31, 2005 exchange rate of 103.68 yen per dollar, for additional shares of Seiyu stock. If the next tranche of warrants is exercised in December 2005, the Company will own more than 50% of Seiyu. If all the warrants are exercised, we will own approximately 70% of the stock of Seiyu by the end of December 2007.

In December 2002, the Company completed its purchase of Supermercados Amigo, Inc. (“Amigo”), a supermarket chain located in Puerto Rico with 37 supermarkets at the time of the acquisition. Six of the supermarkets were subsequently sold.

In February 2004, the Company completed its purchase of Bompreço S.A. Supermercados do Nordeste (“Bompreço”), a supermarket chain in northern Brazil with 118 hypermarkets, supermarkets and mini-markets.

We have provided additional information regarding the accounting treatment of the acquisitions discussed above in Note 6 to the Consolidated Financial Statements which appear in our Annual Report to Shareholders and are incorporated by reference herein and have been included as an exhibit to this Annual Report.

**Our Industry Segments**

Our retail operations serve our customers primarily through three segments. We identify those segments based on management responsibility within the United States and in total for international units. The Wal-Mart Stores segment includes our Discount Stores, Supercenters and Neighborhood Markets in the United States as well as Walmart.com. The SAM'S CLUB segment includes the warehouse membership clubs in the United States as well as samsclub.com. The International segment consists of our operations in Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico, South Korea and the United Kingdom. Our share of the results of our unconsolidated 37% minority interest in the Japanese retailer, Seiyu, is not included in the International segment. You will find information concerning the financial results of our operating segments and the total assets of each of those segments in Note 11 to the Consolidated Financial Statements and in Management's Discussion and Analysis of Results of Operations and Financial Condition. We have incorporated our Consolidated Financial Statements as of January 31, 2005 and for the year then ended, the Notes to the Consolidated Financial Statements, and Management's Discussion and Analysis of Results of Operations and Financial Condition by reference herein to our Annual Report to Shareholders, which is included as an exhibit to this Annual Report on Form 10-K.

**Wal-Mart Stores Operating Segment**

The Wal-Mart Stores segment had net sales of $191.8 billion, $174.2 billion and $157.1 billion for the fiscal years ended January 31, 2005, 2004, and 2003, respectively. During the most recent fiscal year, no single Discount Store, Supercenter or Neighborhood Market location accounted for as much as 1% of total Company sales or net income.

**General** We operate Wal-Mart Discount Stores in all 50 states, Supercenters in 45 states and Neighborhood Markets in 14 states. Our Discount Stores range in size from 30,000 square feet to 220,000 square feet, with the average size of a Discount Store being approximately 100,000 square feet. Supercenters range in size from 100,000 square feet to 261,000 square feet, with the average size of a Supercenter being approximately 187,000 square feet. Neighborhood Markets range in size from 38,000 square feet to 55,000 square feet, with the average size being approximately 43,000 square feet. Customers can also access a broad assortment of merchandise and services on-line at www.walmart.com.

**Merchandise** Wal-Mart Discount Stores and the general merchandise area of Supercenters carry apparel for women, girls, men, boys and infants, domestics, fabrics and notions, stationery and books, shoes, housewares, hardware, electronics, home furnishings, small appliances, automotive accessories, horticulture and accessories, sporting goods, toys, pet food and pet accessories, cameras and supplies, health and beauty aids, pharmaceuticals, jewelry and optical and provide photo processing services. In addition, our stores offer an assortment of grocery merchandise. The grocery assortment in our Supercenters consists of a full line of grocery items including meat, produce, deli, bakery, dairy, frozen foods and dry grocery. Most of our Discount Stores carry a limited assortment of dry grocery merchandise while a number of our larger Discount Stores in some markets carry a broader assortment of grocery items, including perishable items. Neighborhood Markets are generally organized into departments such as: dry grocery, meat, produce, deli, bakery, dairy, frozen foods, pharmaceuticals, photo processing, health and beauty aids, household chemicals, paper goods, general merchandise and pet supplies.

Nationally advertised merchandise accounts for a significant portion of sales in the Wal-Mart Stores segment. We also market lines of merchandise under our private-label store brands including "Sam's Choice," "One Source," "Great Value," "Everstart," "Everactive," "Ol' Roy," "Puritan," "Equate," "No Boundaries," "George," "Athletic Works" and "Kid Connection." The Company also markets lines of merchandise under licensed brands, some of which include "Faded Glory," "General Electric," "Disney," "Catalina," "McDonald's," "Mary-Kate and Ashley" and "Starter."

During the fiscal year ended January 31, 2005, sales in Discount Stores and Supercenters (which are subject to seasonal variance) by product category were as follows:

| CATEGORY | PERCENTAGE OF SALES |
|---|---|
| Grocery, candy and tobacco | 28% |
| Hardgoods | 19% |
| Softgoods and domestics | 16% |
| Pharmaceuticals | 9% |
| Electronics | 9% |
| Health and beauty aids | 7% |
| Sporting goods and toys | 6% |
| Stationery and books | 3% |
| Photo processing | 1% |
| Jewelry | 1% |
| Shoes | 1% |
| | 100% |

**Operations** Hours of operation for nearly all Supercenters and an increasing number of Discount Stores and Neighborhood Markets are 24 hours each day. Hours of operation for the remaining Discount Stores and Neighborhood Markets vary by location, but are generally 7:00 a.m. to 10:00 p.m., seven days a week. The retail stores in our Wal-Mart Stores segment maintain uniform prices, except where lower prices are necessary to meet local competition. Sales are primarily on a cash-and-carry basis with the objective of maximizing sales volume and inventory turnover while minimizing expenses; however, we also accept personal checks, credit cards and pin-based debit cards at all Discount Store, Supercenter and Neighborhood Market locations.

**Seasonal Aspects of Operations** The Wal-Mart Stores operating segment's business is seasonal to a certain extent. Generally, its highest volume of sales occurs in our fourth fiscal quarter, which includes the holiday season, and the lowest volume occurs during our first fiscal quarter.

**Competition** Our Discount Stores compete with other discount, department, drug, variety and specialty stores and supermarkets, many of which are national chains. Our Supercenters compete with other supercenter-type stores, discount stores, supermarkets and specialty stores, many of which are national or regional chains. We also compete with other retailers for new store sites. As of January 31, 2005 **,** the Wal-Mart Stores segment ranked first, based on net sales, among all retail department store chains and among all discount department store chains.

Our ability to offer value and service to our customers largely determines our competitive position within the retail industry. We employ many programs designed to meet the competitive pressures within our industry. These programs include the following:

- Everyday Low Price ("EDLP") – our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity;
- Rollbacks – our commitment to continually pass internal and external cost savings on to the customer;
- Store Within a Store – a program to provide accountability to assistant managers and department managers as to merchandise planning and overall department performance; and
- Store of the Community – a program to ensure that merchandise assortment fits the demographic needs of the local community.

In addition to these programs, we believe our broad assortment of merchandise that provides one-stop shopping, our high in-stock levels that provide confidence to our customers that we will have what they need, and our long operating hours that allow customers to shop at their convenience provide us with an additional competitive advantage.

**Distribution** During fiscal 2005, approximately 81% of the Wal-Mart Stores segment's purchases of merchandise were shipped from Wal-Mart's 99 distribution centers, of which 37 are general merchandise distribution centers, 34 are grocery distribution centers, seven are clothing distribution centers and 16 are specialty distribution centers. The balance of merchandise purchased was shipped directly to stores from suppliers. In addition to serving the Wal-Mart Stores segment, some of our grocery distribution centers also serve our SAM'S CLUB segment for perishable items. The specialty distribution centers ship merchandise such as jewelry, tires, optical, product returns, and pharmaceuticals. Additionally, the Company operates four import distribution centers and one distribution center for online orders placed via Walmart.com. The 99 distribution centers are located throughout the continental United

States. Eleven distribution centers are located in Texas, nine in Arkansas; eight in Georgia; seven in California; five in Indiana; four in each of Florida, New York and Ohio; three in each of Alabama, Missouri, North Carolina, Pennsylvania and Virginia; two each in Arizona, Illinois, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, Utah and Wisconsin; and one each in Colorado, Delaware, Iowa, Kansas, Maryland, Michigan, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, Oklahoma, Oregon and Washington. General merchandise is transported to stores primarily through our private truck fleet. However, we contract with common carriers to transport the majority of our perishable and dry grocery merchandise.

**SAM'S CLUB Operating Segment**

The SAM'S CLUB segment had net sales of $37.1 billion, $34.5 billion and $31.7 billion for the fiscal years ended January 31, 2005, 2004 and 2003, respectively. During the most recent fiscal year, no single club location accounted for as much as 1% of total Company sales or net income.

**General** We operate SAM'S CLUBs in 48 states. Facility sizes for SAM'S CLUBs generally range between 70,000 and 190,000 square feet, with the average SAM'S CLUB facility being approximately 128,000 square feet. SAM'S CLUB provides to its members a broad assortment of merchandise and services on-line at www.samsclub.com.

**Merchandise** SAM'S CLUB offers bulk displays of brand name merchandise, including hardgoods, some softgoods, institutional-size grocery items, and selected private-label items under the "MEMBER'S MARK," "BAKERS & CHEFS" and "SAM'S CLUB" brands. Generally, each SAM'S CLUB also carries software, electronics, jewelry, sporting goods, toys, tires, stationery and books. Most clubs have fresh departments, which include bakery, meat, produce, floral and Sam's Cafe. Additionally, a significant number of our clubs offer photo processing, pharmaceuticals, optical departments and gasoline stations.

During the fiscal year ended January 31, 2005, sales in the SAM'S CLUB segment, which are subject to seasonal variance, by product category were as follows:

| CATEGORY | PERCENTAGE OF SALES |
|---|---|
| Food | 31% |
| Sundries | 28% |
| Hardgoods | 19% |
| Service Businesses | 16% |
| Softgoods | 6% |
| | 100% |

**Operations** Operating hours for SAM'S CLUBs are Monday through Friday from 10:00 a.m. to 8:30 p.m., Saturday from 9:30 a.m. to 8:30 p.m. and Sunday from 11:00 a.m. to 6:00 p.m. Additionally, all club locations offer a Gold Key program that permits Business Members to shop before the regular opening hours Monday through Saturday, starting at 7:00 a.m.

SAM'S CLUBs are membership only, cash-and-carry operations. Limited credit facilities are available, including the "SAM'S Direct" commercial finance program and "Business Revolving Credit" available to qualifying business members. Also, we make a "Personal Credit" program available to qualifying club members and accept the Discover Card in all clubs. Credit extended to members under these programs is without recourse to the Company. Typical club Members include business owners and operators. Individuals who are not business owners can become "Advantage" members by paying a membership fee. In fiscal 2005, business members paid an annual membership fee of $30 for the primary membership card with a spouse card available at no additional cost. In addition, business members can add up to eight business associates for $30 each. The annual membership fee for an individual "Advantage" member is $35 for the primary membership card with a spouse card available at no additional cost. The SAM'S CLUB PLUS Membership program offers additional benefits and value on services. The annual membership fee for a PLUS Member is $100.

**Seasonal Aspects of Operations** The SAM'S CLUB operating segment's business is seasonal to a certain extent. Generally, its highest volume of sales occurs in our fourth fiscal quarter, which includes the holiday season, and the lowest volume occurs during our first fiscal quarter.

**Competition** SAM'S CLUBs compete with other warehouse clubs, as well as with discount retailers, retail and wholesale grocers and general merchandise wholesalers and distributors. We also compete with other retailers for desirable new club sites. Our ability to offer low prices and quality merchandise to meet the needs of small business members determines our competitive position in the warehouse club industry.

**Distribution** During fiscal 2005, approximately 62% of the SAM'S CLUB purchases were shipped from the SAM'S CLUB segment's dedicated distribution facilities and some of our grocery distribution centers for perishable items. Suppliers shipped the balance of the SAM'S CLUB purchases directly to SAM'S CLUB locations. The principal focus of our SAM'S CLUB's distribution operations is on crossdocking product, while stored inventory is minimized. Crossdocking is a distribution process under which shipments are directly transferred from inbound to outbound trailers without storage in between. Shipments typically spend less than 24 hours in a crossdock facility, sometimes less than an hour. A combination of seven Company-owned and operated distribution facilities and twelve third-party owned and operated facilities constitute the overall distribution structure for the SAM'S CLUB segment. Two of the Company-owned and operated facilities are located in Texas with single facilities located in Arizona, Arkansas, Colorado, Minnesota and Indiana. The third-party owned and operated facilities are in California, Florida, Georgia, Illinois, Maryland, Michigan, Missouri, New Hampshire, North Carolina, Ohio, Pennsylvania and Washington. SAM'S CLUB uses a combination of our private truck fleet as well as common carriers to transport our non-perishable merchandise from distribution centers to our clubs. We contract with common carriers to transport our perishable grocery merchandise from distribution centers to our clubs.

**International Operating Segment**

Our International segment is comprised of our operations through wholly-owned subsidiaries in Argentina, Canada, Germany, Puerto Rico, South Korea, and the United Kingdom, our operations through majority-owned subsidiaries in Brazil and Mexico and our operations through joint ventures in China. Wal-Mart's portion of the results of our unconsolidated 37% minority interest in Japanese retailer, Seiyu, is included in the Other segment. The International segment's net sales for the fiscal years ended January 31, 2005, 2004 and 2003, were $56.3 billion, $47.6 billion and $40.8 billion, respectively. During the most recent fiscal year, no single unit accounted for as much as 1% of total Company sales or net income.

**General** Operating formats vary by country, and include Discount Stores in Canada and Puerto Rico; Supercenters in Argentina, Brazil, China, Germany, South Korea, Mexico, Puerto Rico and the United Kingdom; SAM'S CLUBs in Brazil, Canada, China, Mexico, and Puerto Rico; Superamas (traditional supermarket), Bodegas (combination discount and grocery store), Suburbias (specialty department store) and Vips (restaurant) in Mexico; Todo Dias (combination discount and grocery store) and Balaios (discount food and general merchandise store) in Brazil; Neighborhood Markets (traditional supermarkets) in China; ASDA stores (combination grocery and apparel store) and George stores (apparel store) in the United Kingdom; and Amigo supermarkets in Puerto Rico.

**Merchandise** The merchandising strategy for the International operating segment is similar to that of our operations in the United States in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of sales, several store brands not found in the United States have been developed to serve customers in the different markets in which the International segment operates. In addition, steps have been taken to develop relationships with local suppliers in each country to ensure reliable sources of quality merchandise.

**Operations** The hours of operation for operating units in the International segment vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. While sales are primarily on a cash-and-carry basis, credit cards or other consumer finance programs exist in certain markets to facilitate the purchase of goods by the customer.

**Seasonal Aspects of Operations** The International operating segment's business is seasonal to a certain extent. Generally, the highest volume of sales occurs in our fourth fiscal quarter. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different climatic conditions.

**Competition** The International operating segment competes with a variety of local, national and international chains in the supermarket, discount, department, drug, variety, specialty and wholesale sectors of the retail market in each of the countries in which we operate and, in Mexico, with local, national and international restaurant chains. Our ability to offer our customers low prices on quality merchandise that offers exceptional value in the International operating segment determines, to a large extent, our competitive position. In our international units, our ability to effectively operate the food departments has a major impact on the segment's competitive position in the markets where we operate.

**Distribution** The International operating segment operates export consolidation facilities in California, Florida, Pennsylvania and Texas in support of product flow to its Mexican, Canadian, Asian, and Latin American markets. We operate a total of 58 distribution facilities that are located in Argentina, Brazil, Canada, China, Germany, Mexico, Puerto Rico and the United Kingdom. Through these facilities, we process and distribute both imported and domestic product to the operating units. During fiscal 2005, approximately 76% of the International operating segment's purchases flowed through these distribution facilities. Suppliers ship the balance of the International operating segment's purchases directly to our stores in the various countries in which we operate. A combination of Company-owned and operated distribution facilities and third-party facilities makes up the overall distribution structure for the International operating segment.

## Employees ("Associates")

As of January 31, 2005, the Company employed approximately 1.7 million Associates worldwide, with approximately 1.3 million Associates in the United States and approximately 410,000 Associates in foreign countries. In the United States, the Company offers a broad range of company paid benefits to our Associates, including a profit sharing and 401(k) plan, store discount cards, bonuses based on Company performance, discounted stock purchase program and life insurance. The Company also offers health care benefits to eligible full-time and part-time Associates. After the first year, the Company's medical plan has no lifetime maximum for most expenses.

In our operations outside the United States, the Company provides a variety of Associate benefits which vary based on customary local practices and statutory requirements.

## Risk Factors

The risks described below could materially and adversely affect our business, financial condition and results of operations. These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

**General economic and other conditions, both domestically and internationally, may adversely affect our financial performance.**

General economic conditions may adversely affect our financial performance. Higher interest rates, higher fuel and other energy costs, higher labor and healthcare costs, unfavorable foreign exchange rates and economic factors that adversely affect consumer demand for the merchandise we offer, change the mix of products sold to one with a lower average gross margin, result in increased cost of sales, slower inventory turnover and greater markdowns on inventory could adversely affect the financial performance of our Wal-Mart Stores and SAM'S CLUBs operations in the United States. High levels of unemployment, inflation, changes in tax and other laws, currency devaluations and other adverse developments in the economies of the other countries in which we operate may adversely affect consumer demand for our merchandise in those countries, adversely affect our gross margins, cost of sales, inventory turnover and markdowns or otherwise adversely affect our operations and operating results in those countries.

**We may face impediments to our expansion in the United States, including conversions of Discount Stores into Supercenters.**

The growth in the net sales and operating net income of our Wal-Mart Stores segment and our SAM'S CLUB segment depends to a substantial degree on our expansion programs. Our expansion strategy depends upon our ability to execute our retail concepts successfully in new markets within the United States and upon our ability to increase the number of stores in markets in which we currently have operations. Our ability to open additional Discount Stores, Supercenters, Neighborhood Markets and SAM'S CLUBs and to convert Discount Stores into Supercenters depends in large measure upon our ability to locate, hire and retain qualified personnel and to acquire new store sites on acceptable terms. Local land use and other regulations restricting the construction of buildings of the type in which we operate our various formats may affect our ability to open new stores and clubs, to convert Discount Stores into Supercenters or to relocate or expand existing units. Increased real estate, construction and development costs could limit our growth opportunities and our ability to convert our Discount Stores into Supercenters. If we are unable to open new Discount Stores, Supercenters, Neighborhood Markets or SAM'S CLUBs or continue to convert Discount Stores into Supercenters, our financial performance could be adversely affected. In addition, if consumers in the markets into which we expand are not receptive to our retail concepts, our financial performance could be adversely affected.

**Impediments to the expansion of our International operations could adversely affect our financial performance.**

Our business strategy for our International segment includes expansion by selective acquisitions and strategic alliances that add new stores and markets to our existing International business, as well as by opening of new units in the countries in which we are currently operating. As in the United States, our ability to open new stores in our current markets depends in large measure upon our ability to locate, hire and retain qualified personnel and our ability to acquire new store sites on acceptable terms. Local laws can affect our ability to acquire attractive pre-existing buildings in which to locate units or sites on which to build new units. In addition, access to local suppliers of certain types of goods may limit our ability to add new units in certain markets. If we do not effectively execute our expansion plans for our International segment, our financial performance could be adversely affected.

We can give no assurance that we will continue to identify suitable acquisition candidates at acceptable prices or be successful in consummating the acquisition of any such candidate. In addition, while we believe we will be ultimately able to integrate successfully any newly acquired operations into our existing operations, no certainty exists that future acquisitions or alliances will be successfully integrated into our operations or can be successfully integrated in a reasonable time. Our failure to identify appropriate candidates for acquisition or alliance or to integrate effectively future acquisitions and alliances into our existing operations could adversely affect our financial performance.

**Failure to attract and retain qualified Associates and other labor issues could adversely affect our financial performance.**

Our ability to continue to expand our operations in the United States and abroad depends on our ability to attract and retain a large and growing number of qualified Associates. Our ability to meet our labor needs generally while controlling our Associate wage and related labor costs is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force, unemployment levels, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation. If we are unable to locate, to attract or to retain qualified personnel or if our costs of labor or related costs increase significantly, our financial performance could be affected adversely.

**We face strong competition from other retailers and wholesale club operators.**

The retail business is highly competitive. Each of our business segments competes for customers, employees, store sites, products, services and other important aspects of its business with many other local, regional and national retailers, both in the United States and in the foreign countries in which we have operations. Our Wal-Mart Stores segment competes with retailers operating discount, department, drug, variety and specialty stores, supermarkets, supercenter-type stores, hypermarts, as well as internet-based retailers and catalog businesses. Our SAM's CLUB segment competes with other wholesale club operators. Internationally, we compete with retailers who operate department, drug, variety and specialty stores, supermarket, supercenter-type stores, hypermarts, wholesale clubs, internet-based retailers and catalog businesses. Such retailers and wholesale club operators compete in a variety of ways, including merchandise selection, services offered to customers, location and price. Our ability to offer value and service to our customers through various programs, including EDLP, Rollbacks, Store Within a Store and Store of the Community, have allowed us to successfully compete against our competitors in most instances. Where necessary to compete effectively with competitors who price merchandise at points lower than the prices we set under our EDLP philosophy, we will lower our prices on goods sold. Our ability to respond effectively to competitive pressures and changes in the retail markets could affect our financial performance. See "Item 1. Business." below for additional discussion of our competitive situation.

Certain segments of the retail industry are currently undergoing some consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Such consolidation may result in competitors with greater financial resources, better access to merchandise, greater market penetration and other improvements in their competitive positions. Such business combinations could result in the provision of a wider variety of products and services at competitive prices by such consolidated companies, which could adversely affect our financial performance.

**Risks associated with the vendors from whom our products are sourced could adversely affect our financial performance.**

The products we sell are sourced from a wide variety of domestic and international vendors. Global sourcing of many of the products we sell is an important factor in our financial performance. All of our vendors must comply with applicable laws, including labor and environmental laws, and otherwise be certified as meeting our required vendor standards of conduct. Our ability to find qualified vendors who meet our standards, and access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, the financial instability of suppliers, suppliers' failure to meet our vendor standards, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond our control. These and other issues affecting our vendors could adversely affect our financial performance.

**Our International operations subject us to risks associated with the legislative, judicial, accounting, regulatory, political and economic conditions specific to the countries or regions in which we operate.**

We currently conduct operations in Argentina, Brazil, Canada, Germany, Mexico, Puerto Rico, South Korea and the United Kingdom, as well as through joint venture agreements in China. We also own a minority interest in Seiyu, a retailer in Japan. During fiscal 2005, our International operations generated 19.7% of our net sales. Our future operating results in these countries or in other countries or regions throughout the world could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, economic conditions, legal and regulatory constraints, currency regulations and other matters in any of the countries or regions in which we currently operate or intend to operate in the future. In addition, foreign currency exchange rates and fluctuations may have an impact on our future costs or on future cash flows from our International operations, which could adversely affect our financial performance. Other factors which may impact our International operations include foreign trade, monetary and fiscal policies, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having major facilities located in countries which have historically been less stable than the United States. Additional risks inherent in our International operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights. The various risks inherent in doing business in the United States generally also exist when doing business outside of the United States, and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

**We are subject to certain legal proceedings that may affect our financial condition and results of operation.**

We are involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. Certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to the Company's financial condition or results of operations. We are currently a defendant in numerous cases containing class-action allegations in which the plaintiffs have brought claims under federal and state wage and hour laws. In addition, we are a defendant in *Dukes v. Wal-Mart Stores, Inc.* , a class-action lawsuit brought on behalf of all past and present female employees in all of our retail stores and wholesale clubs in the United States. The class as certified currently includes approximately 1.6 million present and former female Associates. The plaintiffs in this case allege we have engaged in a pattern and practice of discriminating against women in promotions, pay, training and job assignments and seek, among other things, injunctive relief, front pay, back pay, punitive damages, and attorneys' fees. The U.S. District Court hearing this case has issued an order granting in part and denying in part the plaintiffs' motion for class certification. We discuss this case and other litigation to which we are party in greater detail below under the caption "Item 3. Legal Proceedings" and in Note 8 to our consolidated financial statements, which is incorporated by reference in this Form 10-K.

### Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.walmartstores.com. We make copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendment to those reports filed with or furnished to the SEC available to investors on or through our website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our SEC filings can be found on the Investor Relations page of our website, the address of which is: http://investor.walmartstores.com/phoenix.zhtml?c=112761&p=irol-sec . Our Senior Financial Officer Code of Ethics and our Statement of Ethics can be located in the Corporate Governance section of the Investor Relations webpage at http://investor.walmartstores.com . These documents, as well as our SEC filings are available in print to any shareholder who requests a copy from our Investor Relations Department.

## ITEM 2. PROPERTIES

The number and location of United States and international Wal-Mart Discount Stores, Supercenters and SAM'S CLUBs and other formats is incorporated by reference to the table under the caption "Fiscal 2005 End-of-Year Store Count" included in our Annual Report to Shareholders for the year ended January 31, 2005, which information we have included as an exhibit to this Annual Report on Form 10-K.

**United States** As of January 31, 2005, in the United States, we owned 2,303 of the properties on which Discount Stores, Neighborhood Markets and Supercenters were located and 407 of the properties on which our SAM'S CLUBs were located. In some cases, we own the land associated with leased buildings in which our Discount Stores, Neighborhood Markets, Supercenters and SAM'S CLUBs are located. In the United States, we either lease the remaining buildings in which our present stores and clubs are located from a commercial property developer, lease them pursuant to sale/leaseback arrangements or lease them from a local governmental entity in connection with industrial revenue bond financing arrangements. All store leases provide for fixed annual rentals and, in many cases, the leases provide for additional rent based on sales volume.

We use independent contractors to construct our buildings.

As of January 31, 2005, we operated 99 Wal-Mart distribution facilities. We lease 15 of the distribution facilities under industrial development bond and other financing arrangements that provide us with the option to purchase those facilities at the end of the lease term for nominal amounts. We own seven SAM'S CLUB distribution facilities.

We own the office facilities in Bentonville, Arkansas that serve as our home office. We lease an office facility in Brisbane, California that serves as the home office for Walmart.com

**International** We operate our International segment stores and restaurants in a combination of owned and leased properties in each country in which our International segment operates. As of January 31, 2005, we owned 9 properties in Argentina, 80 properties in Brazil, 80 properties in Canada, 1 property in China, 19 properties in Germany, 16 properties in South Korea, 344 properties in Mexico, 10 properties in Puerto Rico and 180 properties in the United Kingdom in which the operating units are located, with the remaining units in each country being leased. We utilize both owned and leased properties for office facilities in each country in which we are conducting business. Our International operations are supported by 58 distribution facilities as of January 31, 2005. Of these 58 distribution facilities, we owned 32 and leased 10. Third parties owned and operated the remaining 16 distribution facilities.

## ITEM 3. LEGAL PROCEEDINGS

**I. SUPPLEMENTAL INFORMATION** : We discuss certain legal proceedings pending against us in Part II of this Annual Report on Form 10-K under the caption “Item 8. Financial Statements and Supplementary Data,” in Note 8 to our financial statements, which is captioned “Litigation,” and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings which sets forth the name of the lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed. In each lawsuit’s name, the letters “WM” refer to Wal-Mart Stores, Inc.

**Wage and Hour “Off the Clock” Class Actions** : *Adcox v. WM* , US Dist. Ct. (“USDC”), Southern Dist. of TX, 11/9/04; *Armijo v. WM* , 1 st Judicial Dist. Ct., Rio Arriba County, NM, 9/18/00; *Bailey v. WM* , Marion County Superior Ct. IN, 8/17/00; *Barnett v. WM* , Superior Ct. of WA, King County, 9/10/01; *Basco v. WM* , USDC, Eastern Dist. of LA, 9/5/00; *Braun v. WM* , 1 st Judicial Dist. Ct. Dakota County MN, 9/12/01; *Braun v. WM* , Ct. of Common Pleas, Philadelphia County, PA, 3/20/02; *Brown v. WM* , 14 th Judicial Circuit Ct., Rock Island, IL, 6/20/01; *Carr v. WM* , Superior Ct. of Fulton County, GA, 8/14/01; *Culver v. WM* , USDC, Dist. of CO, 12/10/1996; *Carter v. WM* , Ct. of Common Pleas, Colleton County, SC, 7/31/02; *Gamble v. WM* , Supreme Ct. of the State of NY, County of Albany, 12/7/01; *Gross v. WM* , Circuit Ct., Laurel County, KY, 9/29/04; *Hale v. WM* , Circuit Ct., Jackson County, MO, 8/15/01; *Hall v. WM* , 8 th Judicial Dist. Ct., Clark County, NV, 9/9/99; *Harrison v. WM* , Superior Ct. of Forsyth County, NC, 11/29/00; *Holcomb v. WM* , State Ct. of Chatham County, GA, 3/28/00; *Hummel v. WM* , Common Pleas Ct. of Philadelphia County, PA, 8/30/04; *Iliadis v. WM* , Superior Ct. of NJ, Middlesex County, 5/30/02; *Kuhlmann (In Re: Wal-Mart Employee Litigation) v. WM* , Circuit Ct., Milwaukee County, WI, 8/30/01; *Lerma v. WM* , Dist. Ct., Cleveland County, OK, 8/31/01; *Lopez v. WM* , 23 rd Judicial Dist. Ct. of Brazoria County, TX, 6/23/00; *Mendoza v. WM* , Superior Ct. of CA, Ventura County, 3/2/04; *Michell v. WM* , USDC, Eastern Dist. of TX, Marshall Div., 9/13/02; *Montgomery v. WM* , USDC, Southern Dist. of MS, 12/30/02; *Mussman v. WM* , IA Dist. Ct., Clinton County, 6/5/01; *Nagy v. WM* , Circuit Ct. of Boyd County, KY, 8/29/01; *Newland v. WM* , Superior Ct. of CA, Alameda County, CA, 01/14/05; *Osuna v. WM* , Superior Ct. of AZ, Pima County, 11/30/01; *Pickett v. WM* , Circuit Court, Shelby County, TN, 10/22/03; *Pittman v. WM* , Circuit Ct. for Prince George’s County, MD, 7/31/02; *Robinson v. WM* , Circuit Ct., Holmes County, MS, 12/30/02; *Sago v. WM* , Circuit Ct., Holmes County, MS, 12/31/02; *Romero v. WM* , Superior Ct. of CA, Monterey County, 03/25/04; *Salvas v. WM* , Superior Ct., Middlesex County, MA, 8/21/01; *Sarda v. WM* , Circuit Ct., Washington County, FL, 9/21/01; *Savaglio v. WM* , Superior Ct. of CA, Alameda County, 2/6/01; *Scott v. WM* , Circuit Ct. of Saginaw County, MI, 9/26/01; *Smith v. WM* , Circuit Ct., Holmes County, MS, 12/31/02; *Thiebes v. WM* , USDC, Dist. of OR, 6/30/98; *Willey v. WM* , Dist. Ct. of Wyandotte County, KS, 9/21/01; *Williams v. WM* , Superior Ct. of CA, Alameda County, 3/23/04; *Wilson v. WM* , Common Pleas Ct. of Butler County, OH, 10/27/03; *Winters v. WM* , Circuit Ct., Holmes County, MS, 5/28/02.

**California Labor Code Cases** : *Cruz v. WM* , Superior Ct. of CA, Los Angeles County, 10/24/03; *Fries v. SAM’S and WM* , Superior Ct. of CA, Los Angeles County, 06/28/04.

**Exempt Status Cases** : *Fox v. WM* , USDC, Middle Dist. of TN, 01/27/05; *Ramsey v. WM* , USDC, Western Dist. of MI, Northern Div., 12/23/02; *Comer v. WM* , Western Dist. of MI, Northern Div., 2/27/04; *Highland v. WM* , USDC, Dist. of NM, 06/24/04; *Sepulveda v. WM* , Superior Ct. of CA, Los Angeles County, CA, 1/14/04.

***Dukes v. WM*** : *Dukes v. WM* , USDC, Northern Dist. of CA, San Francisco Div., 6/19/01.

**COLI Litigation** : *Mayo v. Hartford Life Ins. Co.* , USDC, Southern Dist. of TX, Houston Div., 6/28/01; *Waller v. AIG Life Ins. Co.* , USDC, Northern Dist. of TX, Fort Worth Div., 7/3/01; *Miller v. WM* , USDC, Southern Dist. of TX, Houston Div., 10/22/02; *Lewis v. WM* , USDC, Northern Dist. of OK, 12/18/02.

***Mauldin v. WM*** : *Mauldin v. WM* , USDC, Northern Dist. of GA, Atlanta Div., 10/16/01.

***EEOC (Smith) v. WM*** : *EEOC (Smith) v. WM* , USDC, Eastern Dist. of KY, London Div., 8/31/01.

**II. ENVIRONMENTAL MATTERS** : Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement:

During fiscal 2001, the State of Connecticut filed suit against the Company in the Superior Court for the Judicial District of Hartford alleging various violations of state environmental laws and alleging that the Company failed to obtain the appropriate permits or failed to maintain required records relating to storm water management practices at 12 stores. In December 2003, the State filed an amended complaint alleging that the Company also had discharged wastewater associated with vehicle maintenance activities and photo processing activities without proper permits. The suit seeks to ensure the Company’s compliance with the general permits applicable to those activities.

The United States Environmental Protection Agency (“EPA”) and the states of Tennessee and Utah have alleged that the Company and some of its construction contractors have violated the EPA’s stormwater regulations at specified sites around the country. On July 31, 2003, the Company served the EPA with a Notice of Dispute as required by a national consent decree entered into between the Company and the EPA in August 2001. Serving the Notice of Dispute initiated an informal dispute resolution process in accordance with the terms of the consent decree. The Company has settled these allegations without admitting any wrongdoing or violations of the regulations by agreeing to pay a $3.1 million civil penalty and entering into a new consent decree. The parties are awaiting entry by the court of the final Consent Decree.

In August 2003, the Company was served with a grand jury subpoena in connection with an investigation by the Office of District Attorney of Harris County, Texas, seeking information related to the waste disposal activities of one of the Company’s photo processing labs. The Company is cooperating with the investigation.

**III. IMMIGRATION MATTER** : On March 18, 2005, the U.S. Attorney’s Office for the Middle District of Pennsylvania announced the conclusion and settlement, on a civil basis, of its grand jury investigation into the Company’s potential violations of Federal immigration laws involving certain third-party contractors that provided floor cleaning services to certain Wal-Mart stores, and those contractors’ alleged employment of undocumented workers. As part of the civil settlement, the Company has agreed to cooperate with the government’s ongoing investigation; to pay $11 million to support future law enforcement activities by the Bureau of Immigration and Customs Enforcement; to provide training to store managers on relevant immigration laws and regulations; and to put controls in place to ensure that third-party contractors are taking reasonable steps to comply with immigration laws.

On November 10, 2003, a civil action was filed against the Company in the United States District Court for the District of New Jersey, captioned *Zavala, et al. v. Wal-Mart Corporation, et al.* , Case No. 03-CV-5309. This complaint asserts claims under the Fair Labor Standards Act (“FLSA”), the Racketeer Influenced Corrupt Organizations Act, and various statutory causes of action and common law torts arising from the Company’s relationship with certain third-party contractors responsible for providing floor cleaning services in its stores. In December 2004, the district court conditionally certified the plaintiffs’ wage claims for notice purposes under the FLSA. Any potential liability on the part of the Company cannot be determined at this time.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company’s security holders during the last quarter of the fiscal year ended January 31, 2005.

# PART II

## ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Certain information required by this item is incorporated by reference to the “Number of Shareholders of Record” under the caption “11-Year Financial Summary”, and all the information under the captions “Market Price of Common Stock,” “Listings—Stock Symbol: WMT” and “Dividends Per Common Share” included in the Annual Report to Shareholders for the year ended January 31, 2005. Such information is included in an exhibit to this Annual Report on Form 10-K.

Information about our equity compensation plans is incorporated by reference to all information under the caption “Equity Compensation Plan Information” included in the Company’s definitive Proxy Statement for its Annual Meeting of Shareholders to be held on Friday, June 3, 2005 (the “Proxy Statement”).

In September 2004, our Board of Directors approved a new $10.0 billion share repurchase program, separate from and replacing the previous $7.0 billion program approved in January 2004. Shares purchased under our share repurchase programs are constructively retired and returned to unissued status. There is no expiration date for or other restriction limiting the period during which we can make our share repurchases under the current program. The current program will expire if and when we have repurchased an aggregate of $10.0 billion of shares pursuant to the program.

The following table sets forth information on the Company's common stock repurchase program activity based on trade date for the quarter ended January 31, 2005 (amounts in thousands, except per share amounts):

| Period | Total Number of Shares Repurchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs |
|---|---|---|---|---|
| November 1, 2004 through November 30, 2004 | 522 | $ 53.26 | 520 | $ 9,785,470 |
| December 1, 2004 through December 31, 2004 | 2,330 | $ 52.68 | 2,330 | $ 9,662,728 |
| January 1, 2005 through January 31, 2005 | 3 | $ 53.15 | — | $ 9,662,728 |
| Total fourth quarter | 2,855 | $ 52.78 | 2,850 | $ 9,662,728 |

(1) Includes a nominal amount of shares repurchased from Associates to satisfy the exercise price and tax withholding of certain stock option exercises.

## ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to all information under the caption "11-Year Financial Summary" included in the Annual Report to Shareholders for the year ended January 31, 2005. Such information is included in an exhibit to this Annual Report on Form 10-K.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information required by this item is incorporated by reference to all information under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in the Annual Report to Shareholders for the year ended January 31, 2005. Such information is included in an exhibit to this Annual Report on Form 10-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information required by this item is incorporated by reference to all information under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in the Annual Report to Shareholders for the year ended January 31, 2005. Such information is included in an exhibit to this Annual Report on Form 10-K.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference to all information under the captions "Consolidated Statements of Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements" and "Report of Independent Auditors" included in the Annual Report to Shareholders for the year ended January 31, 2005. Such information is included in an exhibit to this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to Management in a timely fashion. An evaluation of the effectiveness of the design and operation of Wal-Mart's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"))("Disclosure Controls") was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of the Company's Management, including the Company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that these Disclosure Controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

## Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting and the attestation report of Ernst & Young LLP, the Company's independent registered public accounting firm, on management's assessment of internal control over financial reporting are included in our Annual Report to Shareholders for the year ended January 31, 2005 and are incorporated in this Item 9A by reference. Our Annual Report to Shareholders is included as an Exhibit to this Annual Report on Form 10-K.

## Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended January 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item with respect to the Company's directors and compliance by the Company's directors, executive officers and certain beneficial owners of the Company's Common Stock with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to all information under the captions entitled "Nominees for Election to the Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" from our Proxy Statement.

## EXECUTIVE OFFICERS OF THE REGISTRANT

The following chart names each of the executive officers of the Company, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his principal occupation for at least the past five years.

| Name | Business Experience | Current Position Held Since | Age |
|---|---|---|---|
| Michael T. Duke | Executive Vice President and President and Chief Executive Officer of the Wal-Mart Stores Division. From July 2000 to April 2003, he served as Executive Vice President of Administration. From March 2000 to July 2000, he served as Executive Vice President of Logistics. From July 1995 to March 2000, he served as Senior Vice President of Logistics. Prior to July 1995, he served as Senior Vice President of Distribution. | 2003 | 55 |
| David D. Glass | Chairman, Executive Committee of the Board. Prior to January 2000, he served as President and Chief Executive Officer of the Company. | 2000 | 69 |
| Charles M. Holley, Jr. | Senior Vice President and Controller. From March 1999 to January 2003, he served as Senior Vice President, Finance and Chief Financial Officer of Wal-Mart International. From October 1996 to March 1999 he served as Vice President and Chief Financial Officer of Wal-Mart International. | 2003 | 48 |
| Thomas D. Hyde | Executive Vice President and Corporate Secretary. From July 2001 to June 2002, he served as Executive Vice President and Senior General Counsel. Prior to July 2001, he served as Senior Vice President and General Counsel of Raytheon Company since 1992. | 2001 | 56 |
| Lawrence V. Jackson | Executive Vice President, People Division. Before joining Wal-Mart, he served as President and Chief Operating Officer of Dollar General Corporation since September 2003. Prior to Dollar General Corporation, he was Senior Vice President of supply operations for Safeway Inc. | 2004 | 51 |

| | | | |
|---|---|---|---|
| John B. Menzer | Executive Vice President and President and Chief Executive Officer of Wal-Mart International. Prior to June 1999, he served as Executive Vice President and Chief Financial Officer of the Company. | 1999 | 54 |
| Thomas M. Schoewe | Executive Vice President and Chief Financial Officer. From February 1997 to January 2000, he served as Senior Vice President and Chief Financial Officer of Black & Decker Corporation. Prior to February 1997, he served as Vice President and Chief Financial Officer of Black & Decker Corporation. | 2000 | 52 |
| H. Lee Scott, Jr. | President and Chief Executive Officer. From January 1999 to January 2000, he served as Vice Chairman and Chief Operating Officer of the Company. From January 1998 to January 1999, he served as Executive Vice President and President and Chief Executive Officer of the Wal-Mart Stores Division. Prior to January 1998, he served as Executive Vice President – Merchandising of the Company. | 2000 | 56 |
| B. Kevin Turner | Executive Vice President and President and Chief Executive Officer of the SAM’S CLUB Division. From September 2001 to August 2002, he served as Executive Vice President and Chief Information Officer of the Information Systems Division. From March 2000 to September 2001, he served as Senior Vice President and Chief Information Officer of the Information Systems Division. | 2002 | 39 |
| S. Robson Walton | Chairman of the Board. | 1992 | 60 |

Additional information regarding our Board and Committee Governing Documents, our Audit Committee, our director nomination process, and our Codes of Ethics for senior financial officers and other Associates required by this item is incorporated by reference to all information under the caption entitled “Corporate Governance” included in our Proxy Statement.

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to all information under the caption entitled “Compensation of Directors,” “Compensation, Nominating and Governance Committee Report on Executive Compensation,” “Summary Compensation,” “Option Grants In Last Fiscal Year,” “Long-Term Incentive Plan-Awards in Fiscal 2005,” “Termination of Employment Arrangements” and “Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values” included in our Proxy Statement.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to all information under the caption entitled “Stock Ownership”, subcaptions “Holdings of Major Shareholders” and “Holdings of Officers and Directors” included in our Proxy Statement. In addition, please refer to Part II, Item 5 of this Annual Report on Form 10-K for information relating to Equity Compensation.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to all information under the caption “Related-Party Transactions” included in our Proxy Statement.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to all information under the caption “Ratification of Independent Accountants” included in our Proxy Statement.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

**(a)** (1) and (2) Consolidated Financial Statements

The financial statements listed in the following table which are included in our Annual Report to Shareholders, are incorporated by reference herein or filed as part of this Annual Report on Form 10-K. The financial statements can be located at Exhibit 13 filed herewith.

| | Annual Report to Shareholders (page) |
|---|---|
| Covered by Report of Independent Registered Public Accounting Firm: | |
| Consolidated Statements of Income for each of the three years in the period ended January 31, 2005 | 33 |
| Consolidated Balance Sheets at January 31, 2005 and 2004 | 34 |
| Consolidated Statements of Shareholders' Equity for each of the three years in the period ended January 31, 2005 | 35 |
| Consolidated Statements of Cash Flows for each of the three years in the period ended January 31, 2005 | 36 |
| Notes to Consolidated Financial Statements, except Note 12 | 37 |
| Not Covered by Report of Independent Registered Public Accounting Firm: | |
| Note 12—Quarterly Financial Data (Unaudited) | 49 |

All schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements, including the notes thereto.

(3)Exhibits

The following documents are filed as exhibits to this Form 10-K:

3(a) Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3(a) from the Annual Report on Form 10-K of the Company for the year ended January 31, 1989, the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated herein by reference to Registration Statement on Form S-8 (File Number 33-43315) and the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated hereby by reference to the Current Report on Form 8-K dated June 27, 1999.

3(b) Amended and Restated Bylaws of the Company-are incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company dated March 8, 2005.

4(a) Form of Indenture dated as of June 1, 1985, between the Company and Bank of New York, Trustee, (formerly Boatmen's Trust Company and Centerre Trust Company) is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-3 (File Number 2-97917).

4(b) Form of Indenture dated as of August 1, 1985, between the Company and Bank of New York, Trustee, (formerly Boatmen's Trust Company and Centerre Trust Company) is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-3 (File Number 2-99162).

4(c) Form of Amended and Restated Indenture, Mortgage and Deed of Trust, Assignment of Rents and Security Agreement dated as of December 1, 1986, among the First National Bank of Boston and James E. Mogavero, Owner Trustees, Rewal Corporation I, Estate for Years Holder, Rewal Corporation II, Remainderman, the Company and the First National Bank of Chicago and R.D. Manella, Indenture Trustees, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-11394).

| | |
|---|---|
| 4(d) | Form of Indenture dated as of July 15, 1990, between the Company and Harris Trust and Savings Bank, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-35710). |
| 4(e) | Indenture dated as of April 1, 1991, between the Company and The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344). |
| 4(f) | First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344). |
| 4(g) | Indenture dated as of July 5, 2001, between the Company and Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 (File Number 333-64740). |
| 4(h) | Indenture dated as of December 11, 2002, between the Company and Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 (File Number 333-101847). |
| + 10(a) | Form of individual deferred compensation agreements is incorporated herein by reference to Exhibit 10(b) from the Annual Report on Form 10-K of the Company, as amended, for the fiscal year ended January 31, 1986. This document is located in the Securities and Exchange Commission’s Public Reference Room in Washington, D.C. in the Securities and Exchange Commission’s file no. 1-6991. |
| + 10(b) | Wal-Mart Stores, Inc. Stock Option Plan of 1984 is incorporated herein by reference to Registration Statement on Form S-8 (File Number 2-94358). |
| + 10(c) | 1991 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1984 is incorporated herein by reference to Exhibit 10(h) from the Annual Report on Form 10-K of the Company for the year ended January 31, 1992. This document is located in the Securities and Exchange Commission’s Public Reference Room in Washington, D.C. in the Securities and Exchange Commission’s file no. 1-6991. |
| + 10(d) | 1993 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1984 is incorporated herein by reference to Exhibit 10(i) from the Annual Report on Form 10-K of the Company for the year ended January 31, 1993. This document is located in the Securities and Exchange Commission’s Public Reference Room in Washington, D.C. in the Securities and Exchange Commission’s file no. 1-6991. |
| + 10(e) | Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 4(c) to Registration Statement on Form S-8 (File Number 33-55325). |
| + 10(f) | Wal-Mart Stores, Inc. Director Compensation Plan is incorporated herein by reference to Exhibit 4(d) to Registration Statement on Form S-8 (File Number 333-24259). |
| + 10(g) | Wal-Mart Stores, Inc. Officer Deferred Compensation Plan as amended and restated effective March 31, 2003 is incorporated herein by reference to Exhibit 10(g) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004. |
| + 10(h) | Wal-Mart Stores, Inc. Restricted Stock Plan is incorporated herein by reference to Exhibit 10(j) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1997. |
| + 10(i) | 1996 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 10(j) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1998. |
| + 10(j) | 1997 Amendment to the Wal-Mart Stores, Inc. Stock Option Plan of 1994 is incorporated herein by reference to Exhibit 10(k) from the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 1998. |
| + 10(k) | Wal-Mart Stores, Inc. Stock Incentive Plan of 1998 as amended through January 15, 2004 is incorporated herein by reference to Exhibit 10(k) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004. |
| + 10(l) | Wal-Mart Stores, Inc. Management Incentive Plan of 1998 as amended and restated effective February 1, 2003 is incorporated herein by reference to Exhibit 10(l) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed on April 9, 2004. |

| | |
|---|---|
| +*10(m) | The Rules of the Asda Sharesave Plan 2000, as amended June 4, 2004. |
| +*10(n) | The Asda Colleague Share Ownership Plan 1999, as amended June 4, 2004. |
| +10(o) | Retirement Agreement, dated January 22, 2005 between the Company and Thomas M. Coughlin is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company dated January 25, 2005. |
| +*10(p) | Notice of Non Qualified Stock Option Grant, as amended January 3, 2005. |
| +*10(q) | Notification of Restricted Stock Award and Terms and Conditions of Award, as amended January 3, 2005. |
| +*10(r) | Notification of Stock Value Equivalent Award and Terms and Conditions of Award. |
| +10(s) | Form of Post -Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers Who Have Executed a Post-Termination Agreement and Covenant Not to Compete, Together with Summary of Material Differences From Form of Agreement Filed is incorporated by reference to Exhibit 10(o) from Amendment No. 1 to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2004, filed August 26, 2004. |
| +*10(t) | Wal-Mart Stores, Inc. 2004 Associate Stock Purchase Plan, as amended and restated effective as of February 1, 2004. |
| *12 | Statement re computation of ratios. |
| *13 | The Annual Report to Shareholders for the fiscal year ending January 31, 2005. All information incorporated by reference in Items 1, 2, 5, 6, 7, 7A, 8 and 9A of this Annual Report on Form 10-K from the Annual Report to Shareholders for the fiscal year ended January 31, 2005 is filed with the Commission. The balance of this information in the Annual Report to Shareholders will be furnished to the Commission in accordance with Item 601(13) of Regulation S-K. |
| *21 | List of the Company’s Subsidiaries. |
| *23 | Consent of Independent Registered Public Accounting Firm. |
| *31 | Chief Executive Officer and Chief Financial Officer Section 302 Certifications. |
| **32 | Chief Executive Officer and Chief Financial Officer Section 906 Certifications. |

* Filed herewith as an Exhibit.
** Furnished herewith as an Exhibit.
\+ Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wal-Mart Stores, Inc.

| | | |
|---|---|---|
| DATE: March 31, 2005 | By | /s/ H. Lee Scott, Jr. |
| | | H. Lee Scott, Jr.<br>President and Chief<br>Executive Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

| | | |
|---|---|---|
| DATE: March 31, 2005 | By | /s/ H. Lee Scott, Jr. |
| | | H. Lee Scott, Jr.<br>President, Chief<br>Executive Officer and Director |
| DATE: March 31, 2005 | By | /s/ S. Robson Walton |
| | | S. Robson Walton<br>Chairman of the Board and Director |
| DATE: March 31, 2005 | By | /s/ David D. Glass |
| | | David D. Glass<br>Chairman, Executive Committee<br>of the Board and Director |
| DATE: March 31, 2005 | By | /s/ Thomas M. Schoewe |
| | | Thomas M. Schoewe<br>Executive Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) |

| | | |
|---|---|---|
| DATE: March 31, 2005 | By | /s/ Charles M. Holley, Jr. |
| | | Charles M. Holley, Jr.<br>Senior Vice President and Controller<br>(Principal Accounting Officer) |
| DATE: March 31, 2005 | By | /s/ James W. Breyer |
| | | James W. Breyer<br>Director |
| DATE: March 31, 2005 | By | /s/ M. Michele Burns |
| | | M. Michele Burns<br>Director |
| DATE: March 31, 2005 | By | /s/ Douglas N. Daft |
| | | Douglas N. Daft<br>Director |
| DATE: March 31, 2005 | By | /s/ Roland A. Hernandez |
| | | Roland A. Hernandez<br>Director |
| DATE: March 31, 2005 | By | /s/ John D. Opie |
| | | John D. Opie<br>Director |
| DATE: March 31, 2005 | By | /s/ J. Paul Reason |
| | | J. Paul Reason<br>Director |

| | | |
|---|---|---|
| DATE: March 31, 2005 | By | /s/ Jack C. Shewmaker<br>Jack C. Shewmaker<br>Director |
| DATE: March 31, 2005 | By | /s/ Jose H. Villarreal<br>Jose H. Villarreal<br>Director |
| DATE: March 31, 2005 | By | /s/ John T. Walton<br>John T. Walton<br>Director |
| DATE: March 31, 2005 | By | /s/ Christopher J. Williams<br>Christopher J. Williams<br>Director |



**Exhibit 10(m)**

**THE RULES OF THE**

**ASDA SHARESAVE**

**PLAN 2000**

**(incorporating amendments approved by the Board of Directors of ASDA Group Limited on April 13, 2004 and approved by the Inland Revenue under Schedule 3 to ITEPA)**

**RULES OF THE ASDA**
**SHARESAVE PLAN 2000**

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**RULES OF THE ASDA**
**SHARESAVE PLAN 2000**

## 1. Definitions

1.1 In these Rules the following words and expressions shall have the meaning specified against them unless the context requires otherwise

| | |
|---|---|
| **"Acquiring Company"** | means a company which obtains control of Wal-Mart in the circumstances set out in Rule 8, |
| **"Adoption Date"** | means the date of adoption of the Sharesave Plan by the Company at a board meeting, |
| **"Announcement Date"** | means any date on which the quarterly announcement of Wal-Mart's results is made, |
| **"Any Other Share Scheme"** | means any scheme (other than the Sharesave Plan) established to enable employees of the Group to acquire shares in Wal-Mart, |
| **"Appropriate Authority"** | means such body or bodies as are approved by the Board for the provision of SAYE Contracts under the Sharesave Plan, |
| **"Associated Company"** | means any company which, in relation to the Company, is an associated company as that term is defined in paragraph 47 of Schedule 3, |
| **"Auditors"** | means the auditors for the time being of the Company or if there are joint auditors, such one as the Board shall select (in each case acting as experts and not as arbitrators), |
| **"Board"** | means the Board of Directors for the time being of the Company present at a duly convened meeting of the Directors, or an appropriate committee thereof, at which a quorum is present, |
| **"Bonus Date"** | means, in relation to any repayment under an SAYE Contract, the date on which the Three Year Bonus or the Five Year Bonus (as the case may be) is payable and the "relevant Bonus Date" shall be construed accordingly, |
| **"Business Day"** | means a day on which the New York Stock Exchange is open for business, |
| **"Company"** | means ASDA Group Limited (Number 1396513), |
| **"Control"** | has the meaning set out in section 840 of the Taxes Act, |
| **"Date of Grant"** | means, in relation to the commencement of any SAYE Contract, the date (specified pursuant to Rule 5.1) on which an Option is granted to an Eligible Employee, |
| **"Director"** | means a Director of any member of the Group, |
| **"Eligible Employee"** | means any Employee of a Participating Company who at the Date of Grant<br>(a) (i) is chargeable to tax in respect of his office or employment under sections 15 or 21 of ITEPA; and<br>(ii) has been an Employee for a continuous period of at least six months or such longer period not exceeding five years as the Board may specify ending on or before the Date of Grant, or<br>(b) is any other Employee of a Participating Company who is nominated by the Board in its discretion to participate in the Sharesave Plan, |

and in both cases participation in the Sharesave Plan shall not be permitted by any Employee who is excluded from participation by paragraphs 10 or 11 of Schedule 3,

| | |
|---|---|
| **"Employee"** | means an employee (including a full-time Director holding salaried employment or office who normally devotes to his duties 25 hours or more a week) of any member of the Group, |
| **"Equity Share Capital"** | has the meaning set out in section 744 of the Companies Act 1985, |
| **"Exercise Notice"** | means the notice by which an Option is exercised in accordance with Rule 10.1, |
| **"Five Year Bonus"** | means, in relation to an SAYE Contract, the bonus payable on the fifth anniversary of the starting date of the SAYE Contract (subject to any postponement in accordance with the provisions of the SAYE Contract), |
| **"Group"** | means the Company and its Subsidiaries for the time being or, where the context so requires, any one or more of them, |
| **"Inland Revenue"** | means the Board of Inland Revenue, |
| **"Issue or Reorganisation"** | means, in relation to Wal-Mart, the issue of shares by way of capitalisation of profits or reserves or by way of rights issue, sub-division, consolidation of shares or reduction of share capital, |
| **"ITEPA"** | means the Income Tax (Earnings and Pensions) Act 2003; |
| **"Key Feature"** | means a provision of this Sharesave Plan which is necessary to meet the requirements of Schedule 3 to ITEPA as defined in paragraph 42 (2B) of ITEPA |
| **"Market Value"** | has the meaning set out in Part VIII of the Taxation of Chargeable Gains Act 1992, |
| **"Maximum Monthly Savings Contribution** | means the maximum permitted aggregate monthly savings contribution, as specified in paragraph 25 of Schedule 3 of ITEPA (currently £250 a month, or such other maximum amount specified from time to time in paragraph 25 of Schedule 3) or, if less, such sum (being a multiple of £1 and not less than £5) as the Board decides shall apply to every Eligible Employee in respect of any SAYE Contract entered into pursuant to an Offer, |
| **"Minimum Monthly Savings Contribution"** | means the minimum permitted monthly savings contribution, as specified in paragraph 25 of Schedule 3 of ITEPA (currently £5 a month, or such other minimum amount specified from time to time in paragraph 25 of Schedule 3), or such other sum as the Board decides in accordance with that paragraph in respect of any SAYE Contract entered into pursuant to an Offer, |
| **"Model Code"** | means the Model Code for Securities Transactions by Directors of Listed Companies, |
| **"New Company"** | means a company being either the Acquiring Company or some other company falling within paragraphs 18(b) or (c) of Schedule 3 of ITEPA, |
| **"New Option"** | means an option granted over New Shares under Rule 9, |
| **"New Shares"** | means shares in the New Company in respect of which New Options are granted by the New Company under Rule 9 and which comply with paragraphs 18 to 22 (inclusive) of Schedule 3 of ITEPA, |

| | |
|---|---|
| **"New York Stock Exchange"** | means the New York Stock Exchange Inc., |
| **"Offer"** | means an invitation to apply for an Option, |
| **"Offer Date"** | means the date on which an Offer is made to an Eligible Employee in accordance with Rule 2.1, |
| **"Offer Period"** | means the period commencing on the 5th day and ending on the 28th day after an Announcement Date or such period in the event of exceptional circumstances as the Board may determine, |
| **"Old Option"** | means an Option released in exchange for a New Option under Rule 9, |
| **"Option"** | means a right to acquire (by purchase or subscription) Shares granted to an Eligible Employee in pursuance of the Sharesave Plan and for the time being subsisting or, where the context so requires, a right so to be granted, |
| **"Option Holder"** | means a person holding an Option, |
| **"Option Period"** | means the period of 6 months after the relevant Bonus Date, |
| **"Option Price"** | means, in relation to an Option, a price per Share determined by the Board being not less than the higher of -<br>(i) the par value of a Share, and<br>(ii) the average closing sales price for a Share on the New York Stock Exchange as published in the Wall Street Journal, for the 3 dealing days immediately preceding the Business Day before the Offer Date, or, if the Board so determines, a price no lower than 80 per cent of the average closing sales price, |
| **"Participating Company"** | means any member of the Group nominated by the Board to participate in the Sharesave Plan in accordance with Rule 2.7, |
| **"person"** | means, for the purposes of Rule 8, any person together with any person connected with him (as defined in section 839 of the Taxes Act) and any person acting in connection with him (which expression has the meaning set out in the City Code on Takeovers and Mergers as in force and applicable at the relevant time), and a company shall be deemed to be acting in concert with any persons who, together with their connected persons, own or control more than 20 per cent of the issued Equity Share Capital of that company, |
| **"Receipt Date"** | means the date on which an Exercise Notice for an Option is received under Rule 10.3, |
| **"Redundancy"** | has the meaning set out in the Employment Rights Act 1996, |
| **"Release Date"** | means the date upon which an Old Option is released under Rule 9.1, |
| **"Retirement"** | means reaching the Specified Age or reaching any other age at which the relevant Option Holder is bound to retire in accordance with the terms of his contract of employment, |
| **"SAYE Contract"** | means a contract under the SAYE Scheme established by these Rules, |
| **"SAYE Scheme"** | means a certified contractual savings related share option scheme within the meaning of section 326 of the Taxes Act which has been approved by the Inland Revenue for the purposes of Schedule 3 of ITEPA, |

| | |
|---|---|
| **"Schedule 3"** | means Schedule 3 to ITEPA; |
| **"Shares"** | means fully paid shares of $0.10 par value in the common stock of Wal-Mart for the time being which comply with paragraph 18 to 22 (inclusive) of Schedule 3, |
| **"Sharesave Plan"** | means the ASDA Sharesave Plan 2000 established by these Rules in its present form or as from time to time amended in accordance with these Rules, |
| **"Specified Age"** | means the age of 60 years, |
| **"Starting Date"** | means, in relation to an SAYE Contract, the date on which the first monthly savings contribution is received by the Appropriate Authority, |
| **"Subsidiary"** | means any company which is for the time being under the Control of the Company and which is also a Subsidiary of the Company within the meaning of section 736 of the Companies Act 1985, and |
| **"Taxes Act"** | means the Income and Corporation Taxes Act 1988, |
| **"Three Year Bonus"** | means, in relation to an SAYE Contract, the bonus payable on the third anniversary of the starting date of the SAYE Contract (subject to any postponement in accordance with the provisions of the SAYE Contract), |
| **"Wal-Mart"** | means Wal-Mart Stores Inc., registered in Delaware, USA |

1.2 References to any statute or statutory provision (including the Taxes Act and ITEPA) shall include any subordinate legislation made under it, any provision which it has superseded or re-enacted (whether with or without modification), any provision superseding or re-enacting it (whether with or without modification).

1.3 Unless the context requires otherwise, references to the singular only shall include the plural and vice versa, references to the masculine gender shall include the feminine and vice versa and references to actual persons shall include corporations.

1.4 References to Rules are to rules of the Sharesave Plan.

1.5 The headings of these Rules shall not affect their construction or interpretation.

## 2. Timing of Offers

2.1 Subject to Rules 2.2, 2.3 and 3, the Board may make an Offer to an Eligible Employee to participate in the Sharesave Plan within 21 days after any of -

(A) the Adoption Date, and

(B) receipt of notification of approval of the Sharesave Plan by the Inland Revenue;

and, thereafter, within an Offer Period.

2.2 if under any statute or applicable directors' dealing code or any similar provisions the Board is prevented from making an Offer within any Offer Period the Board may make such Offer within the period of 21 days, or such longer period as the Board considers appropriate, after such provisions cease to apply.

2.3 Invitations under Rule 2.1 shall be issued on no more than two dates in each calendar year and shall be issued to all Eligible Employees at that date.

2.4 Each Offer shall be in writing and shall specify -

(A) the Option Price of the Shares subject to the Option,

(B) the Maximum Monthly Savings Contribution,

(C) the Minimum Monthly Savings Contribution, and

(D) the date (which is between 14 and 21 days after the Offer Date) by which an application for an Option must be made by the Eligible Employee and on which the offer shall lapse.

2.5 Each Offer shall be accompanied by an SAYE Contract proposal form and an application form for the grant of an Option, requiring the Eligible Employee to state -

(A) the maximum amount which the Eligible Employee wishes to save each month under the SAYE Contract,

(B) that such monthly savings contribution, when added to the Eligible Employee's monthly savings contribution at that time under any other SAYE Scheme will not exceed the Maximum Monthly Savings Contribution,

(C) whether the SAYE Contract is to include the Five Year Bonus or the Three Year Bonus (unless the Board shall have decided that only the Three Year Bonus shall be available in respect of that Offer), and

(D) that the Board has authority to enter on the SAYE Contract proposal form such monthly savings contribution, not exceeding the maximum stated pursuant to Rule 2.5(A), as may be determined under Rule 4.

2.6 Each application pursuant to Rule 2.5 shall be deemed to be an application for the maximum whole number of Shares for which the aggregate Option Price would as nearly as possible equal (but not exceed) the total repayment due to the Option Holder at the relevant Bonus Date under the SAYE Contract.

2.7 The Board may from time to time nominate any member of the Group which it intends to participate in the Sharesave Plan (a "Participating Company").

**3. Restrictions on the Grant of Options**

3.1 The number of Shares which may be acquired pursuant to options granted on or after June 5, 2004 under the Sharesave Plan shall not exceed 10 million Shares **PROVIDED THAT** this limit may be reviewed or increased from time to time with the approval of shareholders of Wal-Mart in general meeting. [1]

3.2 The Board may, before making an Offer, determine the maximum number of Shares which are to be made available in respect of the grant of Options pursuant to that Offer.

3.3 Any payment made by an Option Holder under an SAYE Contract shall be not less than the Minimum Monthly Savings Contribution or more than the Maximum Monthly Savings Contribution.

**4. Scaling Down**

4.1 If the Board receives valid applications for Options over a number of Shares which would result in the limits set out in Rule 3.1 or determined by the Board under Rule 3.2 to be exceeded the following steps shall be carried out successively to the extent necessary to eliminate the excess over the limits -

(A) the excess over £5 (or such other Minimum Monthly Savings Contribution as is specified in the Offer) of the monthly savings contribution specified in each application shall be reduced pro rata,

1 Stage 2 amendments

(B) each election for a Five Year Bonus shall be deemed to be an election for a Three Year Bonus,

(C) each election for a Five Year Bonus or a Three Year Bonus shall be deemed to be an election for no bonus.

4.2 The amount of the reduced monthly savings contribution determined in accordance with Rule 4.1 shall not be lower than the Minimum Monthly Savings Contribution.

**5. Grant of Options**

5.1 Subject to Rules 5.2 and 5.5, the Board shall grant or procure the grant of Options in respect of the applications made under Rule 2.5 no later than a date (the “Date of Grant”) 30 days (or, if Rule 4.1 applies, 42 days) after the earliest date with reference to which the Option Price was determined.

5.2 No Option shall be granted to any person who is not at the Date of Grant an Eligible Employee.

5.3 Payments under an SAYE Contract shall be made by arrangement with the Participating Company of which the Option Holder is an Employee and such payments shall be passed forthwith to the Appropriate Authority.

5.4 Subject to the rights of the personal representatives of an Option Holder under Rule 7.2 after the Option Holder’s death, each grant of an Option shall be personal to the Eligible Employee to whom it is made and will not be transferable or assignable. An Option shall not be charged, pledged or otherwise encumbered. Any breach or attempted or purported breach of the provisions of this Rule 5.4 shall render the relevant Option void and, unless the Board determines otherwise, an Option shall lapse upon the bankruptcy of the Option Holder.

5.5 No Option may be granted later than 10 years after the Adoption Date.

**6. Option Certificates**

The company shall in due course issue in respect of each Option granted an option certificate evidencing the Option. Option certificates shall be in such form as the Board may from time to time determine.

**7. Rights to Exercise Options**

7.1 Subject to the provisions of this Rule 7 an Option may be exercised in accordance with the procedure set out in Rule 10 by the Option Holder (or in the circumstances set out in Rule 7.1(B), his legal personal representatives) at any time following the earliest of the following events

(A) the relevant Bonus Date,

(B) the death of the Option Holder,

(C) the Option Holder ceasing to be an Employee by reason of his Retirement, injury, disability or Redundancy,

(D) the Option Holder ceasing to be an Employee more than 3 years after the Date of Grant other than by reason of his Retirement, injury, disability or Redundancy or by reason of gross misconduct,

(E) the Participating Company or the business or part of the business of the Participating Company by which the Option Holder is employed ceasing to be in the control of the Company, any Subsidiary or any Associated Company,

(F) the occurrence of any of the circumstances set out in Rules 8 and 12, and in each case before the earliest of the events set out in Rule 7.2.

7.2 Subject to Rule 7.3 and Rule 7.5 an Option shall lapse immediately on the earliest of the following events -

(A) save where Rule 7.2(B) applies, the expiry of the Option Period,

(B) the first anniversary of the date of the Option Holder’s death or, where the death occurred during the Option Period, the first anniversary of the relevant Bonus Date,

(C) save where Rule 7.2(E) or (F) applies, the Option Holder ceasing to be an Employee otherwise than by reason of his death, Retirement, injury, disability or Redundancy,

(D) 6 months after the date on which the Option Holder ceased to be an Employee by reason of his Retirement, injury, disability or Redundancy,

(E) 6 months after the date on which the Option Holder ceased to be an Employee other than by reason of his Retirement, injury, disability or Redundancy or by reason of gross misconduct where he so ceased more than 3 years after the Date of Grant and immediately on the date of cessation of employment where he so ceased by reason of gross misconduct,

(F) 6 months after the Participating Company or the business or part of the business of the Participating Company by which the Option Holder is employed ceased to be in the Control of the Company or any Subsidiary or any Associated Company,

(G) the occurrence of either of the events set out in Rule 7.8,

(H) the Option Holder being adjudicated bankrupt, and

(I) unless its release has been effected under Rule 9, the day immediately following the date of expiry of the six month period referred to in Rule 8.

7.3 If before the relevant Bonus Date the Option Holder reaches the Specified Age but continues to be employed by the Group, the Option may be exercised within the period of 6 months after such event. Thereafter, to the extent unexercised, the Option may only be exercised after the earliest of the events set out in Rule 7.1.

7.4 An Option Holder who decides not to exercise an Option in accordance with these Rules may withdraw the aggregate amount accumulated under the relevant SAYE Contract.

7.5 For the purpose of the Rules, an Option Holder shall not be treated as ceasing to be an Employee until he ceases to hold any office or employment with the Company, any Subsidiary or any Associated Company. Therefore, if at the Bonus Date an Option Holder holds an office or employment in a company which is not a participating Company but which is an Associated Company or a Subsidiary then his option may be exercised within six months of the Bonus Date.

7.6 An Option Holder (or his personal representatives) may only exercise any Option to the extent that the aggregate Option Price paid for the Shares on such exercise will not exceed the aggregate amount (including any interest and/or the relevant bonus) of his savings under the SAYE Contract at the relevant date.

7.7 No Option may be exercised by an Option Holder (or his personal representatives) if the Option Holder is (or immediately before his death was) excluded from participation in the Sharesave Plan by virtue of paragraphs 10 or 11 of Schedule 3 of ITEPA.

7.8 An option shall lapse in the event that the Option Holder -

(A) ceases to make monthly savings contributions under the relevant SAYE contract or under the terms of the SAYE Contract is deemed to have given notice of his intention to cease to make monthly savings contributions under the relevant SAYE Contract, or

(B) requests repayment of his monthly savings contributions from the relevant SAYE Contract from the Appropriate Authority.

7.9 Subject to Rule 7.5, if at any time an Option Holder ceases to be an Employee, otherwise than as mentioned in Rules 7.1, 7.2 and 7.3 any Option which he holds shall lapse and cease to be exercisable upon such cessation.

**8. Take-overs or a disposal of the Company**

Subject to the Option not having lapsed under Rule 7.2, the Option may be exercised during the period of 6 calendar months following

(i) the acquisition of Control of Wal-Mart by a person pursuant to a general offer

(a) to acquire the whole of the issued shares of Wal-Mart not already owned or agreed to be acquired by that person, such offer having been conditional upon that person obtaining Control of the Wal-Mart, or

(b) to acquire all the Shares; or

(ii) the sale of more than half of the issued share capital of the Company or the undertaking of the business of the Company to any company which is not an Associated Company of Wal-Mart.

**9. Grant of New Options**

9.1 If an Acquiring Company obtains Control of Wal-Mart or acquires the shares or business of the Company in the circumstances set out in Rule 8 the Option Holder may at any time within the six month period referred to in Rule 8 by agreement with the Acquiring Company release any unexercised Option ("Old Option") then held by him in consideration for the grant to him of a New Option.

9.2 A New Option shall be -

(A) for such a number of New Shares as shall have the same total Market Value immediately after the Release Date as the total Market Value of the Shares which were the subject of the Old Option immediately before the Release Date,

(B) exercisable in the same manner as the Old Option,

(C) deemed to have been granted on the Date of Grant of the corresponding Old Option, and

(D) subject to the provisions of the Sharesave Plan as it had effect immediately before the Release Date but so that (save and except for Rules 2, 3, 4, 5, 6, 14.2 and 15) references to the "Company" and "Wal-Mart" shall be construed as references to the "New Company" and references to "Options" shall be construed as references to "New Options".

9.3 The total amount payable by an Option Holder upon the exercise of the New Option shall be equal to the total amount that would have been payable by him upon the exercise of the Old Option.

**10. Exercise of Options**

10.1 In order to exercise an Option in whole or in part the Option Holder (or his legal personal representatives) must :-

(A) Give notice to the Company Secretary (or the person appointed by the Board for the purpose), in such manner as the Company may from time to time require and notify to Option Holders.

(B) The notice must be accompanied by payment in full of the Option Price or must authorise the Appropriate Authority to make such payment on behalf of the Option Holder.

(C) If so required, the notice should be accompanied by the option certificate (although failure to lodge the option certificate will not invalidate the exercise of the Option).

10.2 An Option may be exercised in whole or in part provided that partial exercise shall be of not less than 10 per cent of the Shares comprised in the Option.

10.3 The date the Exercise Notice is received in accordance with Rule 10.1 shall constitute for all purposes the Receipt Date of such Option. The Company will ensure that the Option is exercised within 30 Business Days of the Receipt Date.

10.4 The Company will keep stocks of a suitable form of Exercise Notice available so that Option Holders wishing to exercise may obtain copies thereof from the Company Secretary.

10.5 If the Option becomes exercisable before the relevant Bonus Date it shall be exercisable over not more than the number of Shares the aggregate Option price of which is as nearly as possible equal to but not more than the total repayment due on the Exercise Date and the Option shall not be exercisable over any Shares in excess of that number.

10.6 All allotments and issues or transfers of Shares (as the case may be) will be made within 30 Business Days of the Exercise Date and will be subject to all (if any) necessary

consents of any governmental or other authorities under enactments or regulations for the time being in force. It shall be the responsibility of the Option Holder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any such consent. A share certificate or such other form of acknowledgement of shareholding as is then prescribed in respect of such Shares so issued or transferred shall be sent to the person exercising the Option at his risk.

10.7 If under the terms of an announcement made by Wal-Mart a dividend is to be or is proposed to be paid to the holders of Shares, the Shares to be issued on the exercise of an Option after the date of such announcement will not rank for such dividend and the Shares to be transferred on the exercise of an Option after the date of such announcement will be transferred without the right to receive any such dividend and any such right to that dividend will be retained by the transferor. Subject as aforesaid the Shares so to be issued shall be identical and rank pari passu in all respects with the fully paid registered Shares in issue on the Exercise Date.

10.8 Where the Shares are listed on the New York Stock Exchange or any other market or recognised investment exchange as defined in section 285 of the Financial Services and Markets Act 2000, the Board shall as soon as practicable apply to the New York Stock Exchange for admission of such Shares to the New York Stock Exchange or such other market or recognised investment exchange (as appropriate).

## 11. Variation of Capital

11.1 Upon the occurrence of an Issue or Reorganisation the restriction on the number of Shares available for the offer of Options set out in Rule 3.1 [2] and the number or nominal amount of Shares comprised in each Option and the Option Price may be adjusted in such manner as the Board may determine with the prior approval of the Inland Revenue and (other than in the event of a capitalisation issue) with the written confirmation of the Auditors that in their opinion the adjustments are fair and reasonable.

11.2 Notice of any such adjustment shall be given to the Option Holder by the Board, which may call in option certificates for endorsement or replacement.

## 12. Winding Up

12.1 Subject to the Option not having lapsed under Rule 7.2, if the Company convenes a general meeting for the purpose of considering a resolution for voluntary winding up, the Board shall notify Option Holders of the date of such meeting and Options may be exercised within 28 days of the passing of the resolution. To the extent unexercised, Options shall lapse upon the passing of the resolution. In the event that the resolution is not passed, any purported exercise of Options shall be invalid.

## 13. Administration

13.1 Any notice or other document required to be given under the Sharesave Plan to any Option Holder shall be in writing and be delivered to him by hand (including through the Company's internal delivery system) or sent by pre-paid post to him at his home address according to the records of the company by which he is employed or at such other address as may appear to the Company to be appropriate. Notices sent by post shall be deemed to have been given on the date of posting.

13.2 The Board shall have power from time to time to make or vary regulations for the administration and operation of the Sharesave Plan provided that the same are not inconsistent with the Rules of the Sharesave Plan.

## 14. General

14.1 The decision of the Board in any dispute or question concerning the construction or effect of the Sharesave Plan or any other question in connection with the Sharesave Plan (including the calculation of the Option Price in any particular case and the effect of an Issue or reorganisation) shall be conclusive subject to the concurrence of the Auditors whenever required under the provisions of the Sharesave Plan.

14.2 The Company or the Board may at any time resolve to suspend or terminate the Sharesave Plan, in which event no further Options shall be granted but the Sharesave Plan shall continue in full force and effect in relation to Options and New Options then subsisting.

14.3 Participation in the Sharesave Plan by an Eligible Employee is a matter entirely separate from any pension right or entitlement pursuant to his terms and conditions of employment. In no circumstances shall an Option Holder ceasing to be employed by the Group be entitled to claim as against any member of the Group any compensation for, or in respect of, any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Options then held by him or otherwise in connection with the Sharesave Plan.

14.4 The Board shall procure that at all times there are available a sufficient number of authorised and unissued Shares and/or ensure that it has made arrangements to procure the transfer of sufficient issued Shares to meet the subsisting rights of Option Holders under the Sharesave Plan.

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14.5 The Sharesave Plan shall be governed by English law.

**15. Alterations to the Sharesave Plan**

15.1 The Board may at any time resolve to alter the Sharesave Plan in any manner subject to the following provisions of this Rule 15.

15.2 The Board may make such alterations to the Sharesave Plan as it may consider necessary to secure the continuing approval of the Sharesave Plan by the Inland Revenue in accordance with Schedule 3 (including alteration to the Specified Age).

15.3 After the Inland Revenue has approved the Sharesave Plan -

(A) no alteration to any Key Feature shall take effect until approved by the Inland Revenue, and

(B) no alteration shall be effective to abrogate or alter adversely any of the subsisting rights of the Option Holders except with such consent or sanction on the part of the Option Holders as would be required under the provisions of the Company's Articles of Association if the Shares the subject of the Options constituted a single class of shares.





**THE ASDA COLLEAGUE SHARE OWNERSHIP PLAN 1999**

**(incorporating amendments approved by
the Board of Directors of ASDA Group Limited
on April 13, 2004 and approved by the Inland
Revenue under Schedule 3 to ITEPA)**

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## 1. Definitions and Interpretation

1.1 In this Plan, unless the context otherwise requires:

| | |
|---|---|
| **"Board"** | means the board of directors of the Company or a committee appointed by such board of directors; |
| **"Company"** | means ASDA Group Limited (registered in England and Wales No. 1396513); |
| **"Grant Date"** | in relation to an option means the date on which the option was granted; |
| **"Group Member"** | means a Participating Company or a body corporate which is (within the meaning of section 736 of the Companies Act 1985) the Company's holding company or a subsidiary of the Company's holding company; |
| **"ITEPA"** | means the Income Tax (Earnings and Pensions) Act 2003 |
| **"Key Feature"** | means a provision of this Plan which is necessary to meet the requirements of Schedule 4 to ITEPA as defined in paragraph 30(4) of Schedule 4 |
| **"Material Interest"** | has the meaning given in paragraphs 10-14 (inclusive) of Schedule 4 to ITEPA |
| **"N.I. Regulations"** | the laws, regulations and practices currently in force relating to liability for and the collection of NICs; |
| **"New York Stock Exchange"** | means the New York Stock Exchange, Inc. |
| **"NICs"** | National Insurance contributions; |
| **"Option Tax Liability"** | in relation to a Participant, any liability of the Participant's Employer (or of any other member of the Asda Group) to account to the Inland Revenue or other tax authority for any amount of, or representing, income tax or NICs (which shall, to the extent provided for in Rule 6 of the Plan, include secondary Class I contributions) which may arise on the exercise of or the acquisition of shares pursuant to an option under this Plan; |
| **"Parent Company"** | means Wal-Mart Stores, Inc.; |
| **"Participant"** | means a person who holds an option granted under the Plan; |
| **"Participant's Employer"** | such member of the Asda Group as is the Participant's employer or, if he has ceased to be employed within the Asda Group, was his employer or such other member of the Asda Group, or other person as, under the PAYE Regulations or, as the case may be, the N.I. Regulations, or any other statutory or regulatory enactment (whether in the United Kingdom or otherwise) is obliged to account for any Option Tax Liability; |
| **"Participating Company"** | means the Company or any Subsidiary; |
| **"Plan"** | means the ASDA Colleague Share Ownership Plan 1999 as herein set out but subject to any alterations or additions made under Rule 8 below; |
| **"Schedule 4"** | means Schedule 4 to ITEPA as defined in paragraph 30(4) of Schedule 4; |
| **"Subsidiary"** | means a body corporate which is a subsidiary of the Company within the meaning of section 736 of the Companies Act 1985 and is under the control of the Company within the meaning of section 840 of the Taxes Act 1988; |
| **"Taxes Act"** | means the Income and Corporation Taxes Act 1988; |

and expressions not otherwise defined herein have the same meanings as they have in Schedule 4.

1.2 Any reference in the Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.3 Words denoting the masculine gender shall include the feminine.

## 2. Eligibility

2.1 Subject to sub-rule 2.3 below, a person is eligible to be granted an option under the Plan if he is a qualifying employee of a Participating Company.

2.2 For the purposes of sub-rule 2.1 above a " **qualifying employee** " is an employee of a Participating Company (other than one who is a director of a Participating Company) who has been continuously employed by a Participating Company for a period of at least 6 months (or such lesser period as the Board may determine) ending on the Grant Date.

2.3 A person is not eligible to be granted an option under the Plan at any time when he is not eligible to participate in the Plan by virtue of having a Material Interest.

## 3. Grant of Options

3.1 Subject to Rule 4 below, the Board may grant or procure the grant to any person who is eligible to be granted an option under the plan an option to acquire shares in the Parent Company which satisfy the requirements of paragraphs 15 to 20 (inclusive) of Schedule 4 *(fully paid up, unrestricted, ordinary share capital)* . All options will be granted by deed.

3.2 The price at which shares may be acquired by the exercise of options granted under the Plan shall be determined by the Board before the grant thereof.

3.3 The price at which shares may be so acquired shall not be less than:

(A) if shares of the same class as those shares are listed on the New York Stock Exchange the closing sales price for a share of that class (as published in the Wall Street Journal) on the last dealing day immediately preceding the date on which the options were granted (or such other dealing days as may be agreed with the Inland Revenue); and

(B) if paragraph (a) above cannot apply, the market value (within the meaning of Part VIII of the Taxation of Chargeable Gains Act 1992) of shares of that class, as agreed in advance for the purposes of the Plan with the Shares Valuation Division of the Inland Revenue, on the Grant Date (or such other day as may be agreed with the Inland Revenue).

3.4 Subject to Rule 5.4 below, an option granted under the Plan to any person shall not be capable of being transferred by him and shall lapse forthwith if it is so transferred or if he is adjudged bankrupt.

## 4. Individual Limit

4.1 No person shall be granted options under the Plan which would, at the time they are granted, cause the aggregate market value of the shares which he may acquire in pursuance of options granted to him under the Plan or under any other share option scheme, not being a savings-related share option scheme, approved under Schedule 4 and established by the company or by any associated company of the Company (and not exercised) to exceed or further exceed the lesser of:

(A) £30,000; or

(B) if there was relevant employment income for the preceding year of assessment, four times the amount of the employment income for the current or preceding year of assessment (whichever of those years gives the greater amount); or

(C) if there was no relevant employment income for the preceding year of assessment, four times the amount of the relevant employment income for the period of 12 months beginning with the first day during the current year of assessment in respect of which there is relevant employment income;

and for this purpose the relevant employment income is such of the employment income of the office or employment by virtue of which the person is eligible to participate in the Plan and of any other office or employment held by him with a company which is a Participating Company as is liable to be paid under deduction of tax pursuant to the PAYE regulations made under section 684 of ITEPA, after deducting from them amounts included by virtue of Chapter 10 of Part 3 thereof *(benefits in kind)* .

4.2 For the purposes of this Rule, the market value of the shares in relation to which an option was granted:

(A) in the case of an option granted under the Plan, shall be taken to be equal to their market value or average market value on the day or days by reference to which the price at which shares may be acquired by the exercise thereof was determined in accordance with Rule 3.3 above; and

(B) in the case of an option granted under any other approved scheme, shall be calculated as at the time when it was granted or, in a case where an agreement relating to the shares has been made under paragraph 22 of Schedule 4, such earlier time or times as may be provided in the agreement.

4.3 Any option granted under the Plan shall be limited and take effect so that the above limit is complied with.

4A **Overall Limit**

4A.1 The number of shares of the Parent Company which may be acquired pursuant to options granted under the Plan on or after June 5, 2004 shall not exceed 10 million shares **PROVIDED THAT** this limit may be reviewed or increased from time to time with the approval of the shareholders of the Parent Company in general meeting.

**5. Exercise of Options**

5.1 The exercise of any option granted under the Plan shall be effected in such form and manner as the Board may from time to time prescribe.

5.2 In this Rule and in Rule 7 below, in relation to an option.

(A) " **the exercise period** " means the period of two months immediately following the expiration of the relevant number of complete years beginning on the Grant Date (or such other period as the Board may have determined before the grant of the option); and

(B) " **the relevant fraction** " means the number of complete years in the period beginning on the Grant Date and ending immediately before the day on which the option first becomes exercisable divided by the relevant number (or such other fraction as the Board may have determined before the grant of the option);

and in this sub-rule " **the relevant number** " means such number as the Board shall have determined for this purpose before the grant of the option.

5.3 Subject to sub-rules 5.4 and 5.5 below and to Rule 7 below, an option granted under the Plan may be exercised only during the exercise period.

5.4 If any Participant dies before the end of the exercise period, then:

(A) any option granted to him under the Plan may, subject to sub-rule 5.6 below, be exercised by his personal representatives within 12 months after the date of his death, and to the extent that it is not exercised within that period shall (notwithstanding any other provision of the Plan) lapse on the expiration thereof;

(B) if the option shall not have become exercisable before his death by virtue of some other provision hereof, the number of shares in respect of which it may be exercised may not exceed the relevant fraction of the number of shares in respect of which it was granted.

5.5 Where any Participant ceases to be an employee of a Group Member before the beginning of the exercise period by reason of:

(i) retirement on or after reaching age 60 or any other age which may be specified in the Participant's contract of employment; or

(ii) retirement through injury or disability; or

(iii) retirement through ill-health or incapacity.

(A) any option granted to him under the Plan may be exercised within the period which shall expire three months after his so ceasing, and to the extent that it is not exercised within that period shall, subject to sub-rule 5.4 above if he dies during that period, lapse on the expiration thereof;

(B) the number of the shares in respect of which the option may be so exercised may not exceed the relevant fraction of the number of shares in respect of which it was granted.

Subject to Rule 5.4 above, where an option is exercised within 3 years of its Grant Date the provisions of Rule 6 of the Plan shall apply unless the exercise falls within (i) or (ii) above.

5.6 If any Participant ceases to be an employee of a Group Member otherwise than by reason of death or as mentioned in sub-rule 5.5 above, any option granted to him under the Plan which shall have become exercisable by virtue of any provision hereof may be exercised in accordance with that provision, and any other option so granted to him shall immediately lapse.

5.7 A Participant shall not be treated for the purposes of this Rule as ceasing to be an employee of a Group Member until such time as he is no longer an employee of any Group Member, and a female Participant who ceases to be such an employee by reason of pregnancy or confinement and who exercises her right to return to work under the Employment Rights Act 1996 shall be treated for those purposes as not having ceased to be such an employee.

5.8 A Participant shall not be eligible to exercise an option under the Plan at any time when he is not eligible to participate in the Plan by virtue of having a Material Interest.

5.9 Within 30 days after an option under the Plan has been exercised by any person, the Board on behalf of the Company shall procure that the appropriate number of shares in respect of which the option has been exercised shall be either issued and allotted or transferred to the Participant (or his nominee), subject to obtaining such consents or approvals as may be required by any competent authority under regulations or enactments for the time being in force.

5.10 Shares issued pursuant to the Plan shall rank pari passu in all respects with shares of common stock of the Parent Company then in issue, save as regards any rights attaching to such shares by reference to a record date prior to the date on which they are issued and allotted.

5.11 The Company shall apply or procure that an application is made to the New York Stock Exchange for the admission to listing of all shares issued pursuant to the exercise of any option provided that its ordinary shares are then listed on the New York Stock Exchange.

**6. PAYE and NICs**

6.1 If the Participant's Employer requires, it is a condition of exercise of the option that the Participant shall indemnify the Participant's Employer against any liability of any such person to account for any Option Tax Liability in relation to this Plan. The Participant shall be required to enter into arrangements satisfactory to the Company to ensure that the Option Tax Liability will be recovered from the Participant.

6.2 If an Option Tax Liability arises on the exercise of an option under the Plan then unless:-

(A) the Participant indicates in the exercise form or in such other manner as the Company may specify that he will make a payment to (or as directed on behalf of) the Participant's Employer of an amount equal to the Option Tax Liability; and

(B) within 14 days of being notified by or on behalf of the Company of the amount of the Option Tax Liability, he makes such payment

the Company may make arrangements to sell sufficient shares (at the best price reasonably obtainable at the time of sale) on the Participant's behalf and arrange payment to the Participant's Employer out of the net proceeds of sale (after deduction of all fees, commissions and expenses incurred in relation to such sale) of an amount equal to the Option Tax Liability and/or the Participant's Employer may withhold the required amount from the Participant's salary, to ensure the Option Tax Liability is reimbursed in full.

6.3 If so specified at the time of grant, it is a condition of exercise of an option that the Participant shall agree with and undertake to the Company and the Participant's Employer that:

(A) the Participant's Employer may recover from the Participant as mentioned in clause 6.2 above the whole or any part of any secondary Class I NICs payable in respect of any gain on the exercise of an option; and

(B) if required (at any time before the option is first exercised) the Participant shall join with the Participant's Employer in making an election (in such terms and such form and subject to such Inland Revenue approval as provided in paragraph 3B of Schedule 1 to the Social Security Contributions and Benefits Act 1992) for the transfer to the Participant of the whole, or such part as the Company may determine of any liability of the Participant's Employer to National Insurance contributions on any gain on the exercise of or acquisition of shares pursuant to an option.

6.4 The provisions of Rules 6.1 and 6.3 shall only apply in relation to options granted after April 13, 2004, the date on which this Plan was amended to include the provisions of that Rule.

## 7. Takeover, Reconstruction and Winding-up

7.1 Sub-rule (2) below applies if, before the beginning of the exercise period,

(A) any person obtains control of the Parent Company (within the meaning of section 840 of the Taxes Act 1988) as a result of making a general offer to acquire shares in the Company, or having obtained such control makes such an offer,

(B) the Parent Company passes a resolution for voluntary winding up, or

(C) an order is made for the compulsory winding up of the Parent Company;

and for the purposes of paragraph (A) above a person shall be deemed to have obtained control of the Parent Company if he and others acting in concert with him have together obtained control of it.

7.2 Where this sub-rule applies -

(A) any option granted under the Plan may, subject to Rule 5.6 above, be exercised within one month of the event in question (or, if more than one such event occurs, the earliest such event), and to the extent that it is not exercised within that period shall, subject to Rule 5.4 above if he dies during that period, lapse on the expiration thereof;

(B) the number of the shares in respect of which the option may be so exercised may not exceed the relevant fraction of the number of shares in respect of which it was granted.

7.3 If any company (" **the acquiring company** ") obtains control of the Parent Company as a result of making -

(i) a general offer to acquire the whole of the issued shares of the Parent Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Parent Company,

(ii) a general offer to acquire all the shares in the Parent Company which are of the same class as the shares which may be acquired by the exercise of options granted tinder the Plan,

any Participant may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 26(3) of schedule 4) by agreement with the acquiring company, release any option granted under the Plan which has not lapsed (" **the old option** ") in consideration of the grant to him of an option (" **the new option** ") which (for the purposes of that paragraph) is equivalent to the old option but relates to shares in a different company (whether the acquiring company itself or some other company falling within paragraphs 16(b) or (c) of Schedule 4).

7.4 The new option shall not be regarded for the purposes of sub-rule (3) above as equivalent to the old option unless the conditions set out in paragraph 16-20 (inclusive) of Schedule 4 are satisfied.

7.5 Provisions of the Plan shall for this purpose be construed as if:-

(A) the new option were an option granted under the Plan at the same time as the old option; and

(B) except for the purposes of the definitions of " **Group Member** ", " **Participating Company** " and " **Subsidiary** " in Rule 1.1 above and the references to " **the Board** " in Rule 5.2 above, the expression " **the Parent Company** " were defined

as "a company whose shares may be acquired by the exercise of options granted under the Plan".

## 8. Variation of Capital

8.1 Subject to sub-rule 8.3 below, in the event of any increase or variation of the share capital of the Parent Company (whenever effected), the Board may make such adjustments as it considers appropriate under sub-rule 8.2 below.

8.2 An adjustment made under this sub-rule shall be to the following:

(A) the number of shares in respect of which any option granted under the Plan may be exercised;

(B) the price at which shares may be acquired by the exercise of any such option;

(C) where any such option has been exercised but no shares have been transferred pursuant to such exercise, the number of shares which may be so transferred and the price at which they may be acquired;

(D) the overall limit specified in Rule 4A.1 (as from time to time renewed or increased, without approval of the shareholders of the Parent Company).

8.3 At a time when the Plan is approved by the Inland Revenue under Schedule 4, no such adjustment under sub-rule 8.2(A), (B) or (C) above shall be made unless and until the Board of the Inland Revenue have confirmed that the approved status of the Plan will not be affected.

8.4 Where any adjustment is made under sub-rule 8.2 above to the number of shares in respect of which an option may be exercised or which may be transferred pursuant to its exercise, corresponding adjustments shall for the purposes of Rules 5.4(B), 5.5(B) and 7.2(B) be deemed to be made to the number of shares in respect of which the option was granted and to the number of shares (if any) in respect of which it has been exercised.

8.5 As soon as reasonably practicable after making any adjustment under sub-rule 8.2 above, the Board shall give notice in writing thereof to any Participant affected thereby.

**9. Alterations**

9.1 Subject to sub-rule 9.2 below, the Board may at any time alter or add to all or any of the provisions of the Plan, or the terms of any option granted under it, in any respect (having regard to the fact that, if an alteration or addition to a Key Feature is made at a time when the Plan is approved by the Inland Revenue under Schedule 4, the approval will not thereafter have effect unless and until the Inland Revenue has approved the alteration or addition).

9.2 No alteration or addition to the disadvantage of any Participant shall be made under sub-rule 9.1 above unless:

(A) the Board shall have invited every relevant Participant to give an indication as to whether or not he approves the alteration or addition, and

(B) the alteration or addition is approved by a majority of those Participants who have given such an indication.

9.3 As soon as reasonably practicable after making any alteration or addition under sub-rule 9.1 above, the Board shall give notice in writing thereof to any Participant affected thereby and, if the Plan is then approved by the Inland Revenue under Schedule 4, to the Inland Revenue.

**10. Miscellaneous**

10.1 If any Participant appoints any person to act on his behalf for the purposes of the Plan, such person may:

(A) exercise any option granted to the Participant under the Plan;

(B) make such arrangements for funding the exercise as may be appropriate (including borrowing money on reasonable terms);

(C) sell sufficient of the shares acquired by the exercise to enable the costs of exercise (including the repayment of any loan and interest thereon) to be met out of the net proceeds of sale; and

(D) take any other action which he reasonably considers to be necessary or desirable in connection with the above.

10.2 The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in the Plan or any right which he may have to participate therein, and an individual who participates therein shall waive any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to exercise any option under the Plan as a result of such termination.

10.3 In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or related to the Plan, the decision of the Board shall be final and binding upon all persons.

10.4 In the event that shares are transferred to a Participant in pursuance of any option granted under the Plan, the Participant shall, if so required by the person making the transfer, join that person in making a claim for relief under section 165 of the Taxation of Chargeable Gains Act 1992 in respect of the disposal made by him in effecting such transfer.

10.5 Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is an employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment.



**Exhibit 10(p)**

**WAL*MART STORES**
**Stock Incentive Plan**
**Notice of Non Qualified Stock Option Grant**

| Name | Social Security Number | Department |
|---|---|---|
| «Name» | «Social» | «Department» |

| Grant Date | Shares Granted | Price per Share | Expiration Date |
|---|---|---|---|
| «GrantDate» | «SharesGranted» | «PricePerShare» | «ExpirationDate» |

**Grant of Option:** You have been granted an option to purchase up to the above-designated number of shares of Common Stock of Wal-Mart Stores, Inc., (“Shares”) at the designated price per Share, on or before the designated Expiration Date, subject to the terms of the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998, as amended from time to time. Capitalized terms used in the notice have the same meanings as in the Plan.

**Vesting.** This Option shall cumulatively vest and become exercisable as follows, except that no Options shall vest after you cease to be an associate of the company for any reason whatsoever other than on account of death in which case all Options shall immediately vest. The unexercised portion of each vested installment may be accumulated from year to year.

| Shares Vesting | Date |
|---|---|
| «Vest1» | «Date1» |
| «Vest2» | «Date2» |
| «Vest3» | «Date3» |
| «Vest4» | «Date4» |
| «Vest5» | «Date5» |
| «TotalShrGranted» | **Total** |

**Time to Exercise Vested Options:** You may exercise all or any portion of your vested Options only (i) while you are employed by the Company, or (ii) within 3 months after termination of employment, or (iii) within one year after death if you die before otherwise terminating employment or within 3 months thereafter. However, in no event shall this Option be exercisable (a) after the Expiration Date, (b) during any administrative suspension, or (c) if your employment was terminated for cause.

**Payment of Exercise Price:** You must pay the Option price in full in any one or a combination of the following, subject to the approval of the Committee: (i) through a broker-dealer selected by you to whom you have submitted an irrevocable exercise notice including an irrevocable instruction to deliver the Option price promptly to the Company by check or wire transfer; (ii) by cash, check, or wire transfer; or (iii) in unencumbered Shares which you have held for at least 6 months.

**Tax Withholding:** The Company’s required federal, state and local tax withholding must be satisfied when you exercise an Option by any one or a combination of the following means: (i) by cash, check, or wire transfer; (ii) withholding of Shares otherwise deliverable to you as a result of the exercise of an Option; or (iii) in unencumbered Shares, which have been held for at least six months. All Shares shall be valued at their Fair Market Value as of the date the withholding tax obligation arises.

**Successors Bound by this Notice:** This Notice and the terms of the Plan bind you and your heirs, personal representatives, successors and assigns.

**Arkansas Law Governs this Notice:** This Notice shall be governed by and interpreted according to Arkansas law.

**Exhibit 10(q)**

Name of Grantee:
Grant Date
Number of Shares
Social Security Number:

**WAL-MART STORES, INC.**
**STOCK INCENTIVE PLAN OF 1998**

**RESTRICTED STOCK AWARD**
**NOTIFICATION OF AWARD AND TERMS AND CONDITIONS OF AWARD**

This Restricted Stock Award Agreement (the "Agreement") contains the terms and conditions of the restricted stock award granted to you by Wal-Mart Stores, Inc., a Delaware corporation ("Wal-Mart") under the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998.

1. Grant of Restricted Stock. Wal-Mart has granted to you, effective on the Grant Date (shown above), the right to receive the number of shares shown above of the common stock of Wal-Mart, par value $0.10 per share ("Shares") at the end of the vesting period (as defined below). Before the Shares are vested, they are referred to in this Agreement as "Restricted Stock."

2. Stock Incentive Plan Governs. The award and this Agreement are subject to the terms and conditions of the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998, as amended from time to time (the "Plan"). The Plan is incorporated in this Agreement by reference and all capitalized terms used in this Agreement have the meaning set forth in the Plan, unless this Agreement specifies a different meaning. By signing this Agreement, you accept this award, acknowledge receipt of a copy of the Plan and the prospectus covering the Plan and acknowledge that the award is subject to all the terms and provisions of the Plan and this Agreement. You further agree to accept as binding, conclusive and final all decisions and interpretations by the Committee of the Plan upon any questions arising under the Plan.

3. Payment . The Restricted Stock is granted without requirement of payment. However, if the Shares have not been previously issued, you must pay the par value ($0.10) per Share no later than 10 business days after the Grant Date. You will be advised if this is the case and you will be given payment instructions at that time.

4. Stockholder Rights . Your Restricted Stock will be held for you by Wal-Mart until the applicable Vesting Date. You shall have all the rights of a stockholder on shares of Restricted Stock that vest. With respect to your unvested Restricted Stock,

A. You shall have the right to vote such shares at any meeting of stockholders of Wal-Mart;

B. You shall have and the right to receive, free of vesting restrictions (but subject to applicable withholding taxes) all cash dividends paid with respect to such shares; and

C. Any non-cash dividends and other non-cash proceeds of such shares, including stock dividends and any other securities issued or distributed in respect of such shares shall be subject to the same vesting and forfeiture conditions as the shares of Restricted Stock to which they relate, and the term “Restricted Stock” when used in this Agreement shall also include any related stock dividends and other securities issued or distributed in respect of such shares.

5. Vesting of Restricted Stock.

A. Vesting . Your Restricted Stock will vest as follows, provided you have not incurred a Forfeiture Condition described below:

| Percentage of shares vesting | Cumulative percentage vested | Vesting Date |
|---|---|---|

B. Forfeiture Conditions . Subject to Paragraph 5C. below, the shares of your Restricted Stock that would otherwise vest on a Vesting Date will not vest and shall be forfeited if, after the Grant Date and prior to the Vesting Date your continuous status as an Associate terminates or after the Grant Date and on or prior to the Vesting Date,

1. you (a) have become or (b) are discussing or negotiating the possibility of becoming, or (c) are considering an offer to become, or have accepted an offer or entered into an agreement to become an employee, officer, director, partner, manager, consultant to, or agent of, or otherwise becoming affiliated with, any entity competing or seeking to compete with Wal-Mart or an Affiliate; or

2. you are subject to an administrative suspension, unless you are reinstated as an Associate in good standing at the end of the administrative suspension period, in which case the applicable number of shares of Restricted Stock would vest as of the date of such reinstatement.

C. Accelerated Vesting; Vesting Notwithstanding Termination . Your Restricted Stock will vest earlier than described in Paragraph 5A, and such earlier vesting date shall also be considered a “Vesting Date,” under the following circumstances:

1. If your Continuous Status as an Associate is terminated by your Disability, your Restricted Stock that would have become vested on a Vesting Date occurring no more than 3 months after your Continuous Status as an Associate is so terminated will become vested on the date your Continuous Status as an Associate is so terminated. “Disability” for this purpose means you have a physical or

mental condition resulting from bodily injury, disease or mental disorder that constitutes total disability under the Federal Social Security Act and for which you have actually been approved for Social Security disability benefits.

2. If you Retire, your Restricted Stock that would have become vested on a Vesting Date occurring no more than 3 months after you Retire will become vested on the day you Retire. “Retire” means that you cease to be a full-time Associate (other than for Cause) upon or after reaching age 65.

3. If your Continuous Status as an Associate is terminated by your death on or after ten years of service or on or after the third anniversary of the Grant Date, your Restricted Stock shall immediately become fully vested.

4. The Committee may, in its discretion, at any time accelerate the vesting of your Restricted Stock on such terms and conditions as it deems appropriate.

D. Mandatory Deferral of Vesting . If the vesting of Restricted Stock in any year could, in the Committee’s opinion, when considered with your other compensation, result in Wal-Mart’s inability to deduct the value of your Shares because of the limitation on deductible compensation under Internal Revenue Code Section 162(m), then Wal-Mart in its sole discretion may defer the Vesting Date applicable to your Restricted Stock (but only to the extent that, in the Committee’s judgment, the value of your Restricted Stock would not be deductible) until six months following the termination of your Associate status.

6. Forfeiture of Restricted Stock . If you suffer a forfeiture condition (i.e., if your Continuous Service as an Associate is terminated prior to the Vesting Date and the vesting is not accelerated under Paragraph 5C), you will immediately forfeit your Restricted Stock (including any cash dividends and non-cash proceeds related to the Restricted Stock for which the record date occurs on or after the date of the forfeiture), and all of your rights to and interest in the Restricted Stock shall terminate upon forfeiture without payment of consideration (except that if you paid par value for the Restricted Stock the par value of the forfeited shares of Restricted Stock will be returned to you). Forfeited Restricted Stock, shall be reconveyed to Wal-Mart.

7. Taxes and Tax Withholding .

A. Upon the vesting of your Restricted Stock, you will have income in the amount of the value of the Shares that become vested on the Vesting Date, and you must pay income tax on that income.

B. You agree to consult with any tax consultants you think advisable in connection with your Restricted Stock and acknowledge that you are not relying, and will not rely, on Wal-Mart for any tax advice. Please see Section 9.F. regarding Section 83(b) elections.

C. Whenever any Restricted Stock becomes vested under the terms of this Agreement, you must remit, on or prior to the due date thereof, the minimum amount necessary to satisfy all of the federal, state and local withholding (including FICA) tax requirements imposed on Wal-Mart (or the Affiliate that employs you) relating to your Shares. The Committee may require you to satisfy these minimum withholding tax obligations by any (or a combination) of the following means: (i) a cash, check, or wire transfer; (ii) authorizing Wal-Mart to withhold from the Shares otherwise deliverable to you as a result of the vesting of the Restricted Stock, a number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation; or (iii) in unencumbered shares of Wal-Mart common stock, which have been held for at least six months.

8. Restricted Stock Not Transferable . Neither Restricted Stock, nor your interest in the Restricted Stock, may be sold, conveyed, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to vesting applicable to any award of Restricted Stock issued in your name. Any attempted action in violation of this paragraph shall be null, void, and without effect.

9. Other Provisions .

A. The value of the Shares under this Agreement will not be taken into account in computing the amount of your salary or other compensation for purposes of determining any pension, retirement, death or other benefit under any employee benefit plan of Wal-Mart or any Affiliate, except to the extent such plan or another agreement between you and Wal-Mart specifically provides otherwise.

B. Wal-Mart may, without liability for its good faith actions, place legend restrictions upon the Restricted Stock or unrestricted Shares obtained upon vesting of the Restricted Stock and issue “stop transfer” instructions requiring compliance with applicable securities laws and the terms of the Restricted Stock.

C. Determinations regarding this Agreement (including, but not limited to whether an event has occurred resulting in the forfeiture of or vesting of Restricted Stock) shall be made by the Committee in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive and binding on all persons.

D. Neither this Agreement nor the Plan creates any contract of employment, and nothing in this Agreement or the Plan shall interfere with or limit in any way the right of Wal-Mart or an Affiliate to terminate your employment or service at any time, nor confer upon you the right to continue in the employ of Wal-Mart and/or Affiliate. Nothing in this Agreement or the Plan creates any fiduciary or other duty to you owed by Wal-Mart, any Affiliate, or any member of the Committee except as expressly stated in this Agreement or the Plan.

E. Wal-Mart reserves the right to amend the Plan at any time. The Committee reserves the right to amend this Agreement at any time.

F. By accepting this award Agreement,

1. You agree to provide any information reasonably requested from time to time, and

2. You agree not to make an Internal Revenue Code Section 83(b) election with respect to this award of Restricted Stock.

G. This Agreement shall be construed under the laws of the State of Delaware.

Grantee:

I acknowledge having received, read and understood the Plan and this Agreement. I accept the terms and conditions of my Restricted Stock award as set forth in this Agreement, subject to the terms and conditions of the Plan

______________________________

Signature

Name (please print): ______________________________

Agreed to and accepted this ___________day of ________________, 200 ___.



**Exhibit 10(r)**

Name of Grantee:
Grant Date:
Number of Shares:
Social Security Number:
Performance Period:
Vesting Date:

**WAL-MART STORES, INC.**
**STOCK INCENTIVE PLAN OF 1998**

**STOCK VALUE EQUIVALENT AWARD**
**NOTIFICATION OF AWARD AND TERMS AND CONDITIONS OF AWARD**

This Stock Value Equivalent Award Agreement (the “Agreement”) contains the terms and conditions of the Stock Value Equivalent Award granted to you by Wal-Mart Stores, Inc. (“Wal-Mart”), a Delaware corporation, under the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998.

1. Grant of Stock Value Equivalent Award. Wal-Mart has granted to you, effective on the Grant Date (shown above), the right to receive the Fair Market Value of the number of Shares shown above (or such greater or smaller number of Shares as determined in accordance with Paragraph 6) as of the Vesting Date (as defined below). Such Fair Market Value shall be paid as soon as administratively feasible after the later of the Vesting Date or the Committee’s determination of whether, and the extent to which, the performance goals described in Paragraph 6 have been satisfied. At your election, the form of payment may be in: (A) in cash, (B) in Shares, or (C) in any combination of cash and Shares. In determining the amount of any cash payout hereunder, Fair Market Value shall be determined as of the date the payment is processed.

2. Stock Incentive Plan Governs. The award and this Agreement are subject to the terms and conditions of the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998, as amended from time to time (the “Plan”). The Plan is incorporated in this Agreement by reference and all capitalized terms used in this Agreement have the meaning set forth in the Plan, unless this Agreement specifies a different meaning. By signing this Notification, you accept this award, acknowledge receipt of a copy of the Plan and the prospectus covering the Plan and acknowledge that the award is subject to all the terms and provisions of the Plan and this Agreement. You further agree to accept as binding, conclusive and final all decisions and interpretations by the Committee of the Plan upon any questions arising under the Plan, including whether, and the extent to which, the performance goals described in Paragraph 6 have been satisfied.

3. Subject to Shareholder Approval . To the extent you are a “covered employee” within the meaning of Code Section 162(m), the award and this Agreement are subject to, and conditioned upon, shareholder approval of the material terms of the performance goals stated in Paragraph 6 below.

4. Payment . You are not required to pay for this Stock Value Equivalent Award.

5. Stockholder Rights . Until your Stock Value Equivalent Award vests and, if applicable, Shares have been delivered to you:

A. You do not have the right to vote your Stock Value Equivalent Award; and

B. You will not receive, or be entitled to receive, cash or non-cash dividends on your Stock Value Equivalent Award.

6. Vesting of Stock Value Equivalent Award .

A. Vesting . On the Vesting Date set forth above, you shall become vested in a number of Shares determined by multiplying the total number of Shares subject to your Stock Value Equivalent Award (as shown above) by a percentage based on performance goals established by the Committee for the Performance Period, provided you have not incurred a Forfeiture Condition described below. You will, by separate writing incorporated into this notice, be notified of the applicable percentages and performance goals for the Performance Period.

B. Forfeiture Conditions . Subject to Paragraph 6C below, your Stock Value Equivalent Award that would otherwise vest in whole or in part on the Vesting Date will not vest and shall be immediately forfeited if, prior to the Vesting Date:

1. your Continuous Status as an Associate terminates for any reason (other than your death or Disability, to the extent provided in Paragraph 6C below); or

2. you (a) have become or (b) are discussing or negotiating the possibility of becoming, or (c) are considering an offer to become, or have accepted an offer or entered into an agreement to become an employee, officer, director, partner, manager, consultant to, or agent of, or otherwise becoming affiliated with, any entity competing or seeking to compete with Wal-Mart or an Affiliate; or

3. you are subject to an administrative suspension, unless you are reinstated as an Associate in good standing at the end of the administrative suspension period, in which case your Stock Value Equivalent Award would vest (as provided in Paragraph 6A) as of the date of such reinstatement.

C. Accelerated Vesting; Vesting Notwithstanding Termination . Your Stock Value Equivalent Award will vest earlier than described in Paragraph 6A under the following circumstances:

1. If your Continuous Status as an Associate is terminated by your Disability, you will become vested in a number of Shares equal to the number of Shares that would have become vested under Paragraph 6A had your Continuous Status as an Associate continued through the Vesting Date described in Paragraph 6A, prorated based upon the number of full

calendar months during the Performance Period (as shown above) in which you had Continuous Status as an Associate. “Disability” for this purpose means you have a physical or mental condition resulting from bodily injury, disease or mental disorder that constitutes total disability under the Federal Social Security Act and for which you have actually been approved for Social Security disability benefits.

2. If your Continuous Status as an Associate is terminated by your death on or after ten years of service, you will become vested in a number of Shares equal to the number of Shares that would have become vested under Paragraph 6A had your Continuous Status as an Associate continued through the Vesting Date described in Paragraph 6A. If your Continuous Status as an Associate is terminated by your death before you have completed ten years of service, you will become vested in a number of Shares equal to the number of Shares that would have become vested under Paragraph 6A had your Continuous Status as an Associate continued through the Vesting Date described in Paragraph 6A, prorated based upon the number of full calendar months during the Performance Period (as shown above) in which you had Continuous Status as an Associate.

In the event of accelerated vesting under this Paragraph 6C, the Fair Market Value of vested Shares, as determined above, shall be paid as soon as administratively feasible after the later of the Vesting Date or the Committee’s determination of whether, and the extent to which, the performance goals described in Paragraph 6 have been satisfied. Payment shall be made: (A) in cash or by check, (B) in Shares, or (C) in any combination of cash and Shares. At the time of payment, the Committee may determine the form of payment or whether to extend to you the option of electing the form of payment. In determining the amount of any cash payout hereunder, Fair Market Value shall be determined as of the date the payment is processed.

7. Taxes and Tax Withholding .

A. You will have taxable income in the amount of any cash or the Fair Market Value of any Shares paid to you under this Agreement.

B. You must remit, on or prior to the due date thereof, the minimum amount necessary to satisfy all of the federal, state and local withholding (including FICA) tax requirements imposed on Wal-Mart (or the Affiliate that employs you) relating to this Agreement. The Committee may require you to satisfy these minimum withholding tax obligations by any (or a combination) of the following means: (i) a cash payment; (ii) withholding from compensation otherwise payable to you; (iii) authorizing Wal-Mart to withhold from the Shares otherwise deliverable to you under this Agreement as a result of the vesting of the Stock Value Equivalent Award, if any, a number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation; or (iv) authorizing Wal-Mart to withhold from cash otherwise deliverable to you under this Agreement as a result of the vesting of the Stock Value Equivalent Award, if any, any amount less than or equal to the amount of the withholding obligation.

8. Stock Value Equivalent Award Not Transferable . Neither a Stock Value Equivalent Award, nor your interest in a Stock Value Equivalent Award, may be sold, conveyed, assigned, transferred, pledged or otherwise disposed of or encumbered at any time. Any attempted action in violation of this paragraph shall be null, void, and without effect.

9. Other Provisions .

A. The value of the Stock Value Equivalent Award will not be taken into account in computing the amount of your salary or other compensation for purposes of determining any pension, retirement, death or other benefit under any employee benefit plan of Wal-Mart or any Affiliate, except to the extent such plan or another agreement between you and Wal-Mart specifically provides otherwise.

B. Determinations regarding this Agreement (including, but not limited to, whether, and the extent to which, the performance goals described in Paragraph 6 have been satisfied, and whether an event has occurred resulting in the forfeiture of or vesting of a Stock Value Equivalent Award) shall be made by the Committee in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive and binding on all persons.

C. Neither this Agreement nor the Plan creates any contract of employment, and nothing in this Agreement or the Plan shall interfere with or limit in any way the right of Wal-Mart or an Affiliate to terminate your employment or service at any time, nor confer upon you the right to continue in the employ of Wal-Mart and/or Affiliate. Nothing in this Agreement or the Plan creates any fiduciary or other duty to you owed by Wal-Mart, any Affiliate, or any member of the Committee except as expressly stated in this Agreement or the Plan.

D. Wal-Mart reserves the right to amend the Plan at any time. The Committee reserves the right to amend this Agreement at any time.

E. By accepting this award Agreement, you agree to provide any information reasonably requested from time to time.

F. You acknowledge that you are not relying, and will not rely, on Wal-Mart for any tax advice.

G. This Agreement shall be construed under the laws of the State of Delaware.

Grantee:

I acknowledge having received, read and understood the Plan and this Agreement. I accept the terms and conditions of my Stock Value Equivalent Award as set forth in this Agreement, subject to the terms and conditions of the Plan

By: ______________________________

Name (please print): ____________________

Agreed to and accepted this __________day of ________________, 200 __.



**Exhibit 10(t)**

**WAL-MART STORES, INC.**
**2004 ASSOCIATE STOCK PURCHASE PLAN**

**(As amended and restated effective as of February 1, 2004)**

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**WAL-MART STORES, INC.**
**2004 ASSOCIATE STOCK PURCHASE PLAN**

## I. DEFINITIONS

1.1. “ Account ” shall mean a Participant’s account which holds his or her shares of Stock pursuant to the Plan.

1.2. “ Account Administrator ” shall mean the third party administrator for the Accounts as may be from time to time appointed by the Committee.

1.3. “ Account Closure ” shall mean the closing of a Participant’s Account by one of the following means:

(a) “ Automatic Account Closure ” shall mean the closure of a Participant’s Account by the Committee (or the Account Administrator if applicable) at the time such Participant’s Account balance contains no shares (or fractional shares) of Stock on or after his or her termination of employment with the Employer.

(b) “ Participant Account Closure ” shall mean the closure of a Participant’s Account pursuant to a request by the Participant to have his or her Account closed and to have all Stock or proceeds from the sale thereof distributed.

1.4. “ Affiliate ” shall mean any entity that is more than 50% owned or controlled, directly or indirectly, by the Company.

1.5. “ Associate ” shall mean any common law employee of an Employer, but shall not include independent contractors. An individual classified by the Employer as either an independent contractor or an individual who provides services to the Employer through another entity shall not be eligible to participate in this Plan during the period that the individual is so classified, even if such individual is later retroactively reclassified as an Associate during all or any part of such period pursuant to applicable law or otherwise.

1.6. “ Award Program ” shall mean a program established by the Company or a Participating Employer that results in its Associates receiving shares of Stock as an award for job performance.

1.7. “ Board ” shall mean the Board of Directors of the Company.

1.8. “ Committee ” shall mean the Stock Option Committee of the Board, or such other committee as may be appointed by the Board.

1.9. “ Company ” shall mean Wal-Mart Stores, Inc., a Delaware corporation.

1.10. “ Contribution ” shall mean any of the types of contributions that may be made to a Participant’s Account under the Plan, either by the Company, a Participating Employer or a Participant as set forth in Section III.

1.11. “ Employer ” shall mean the Company and its Affiliates.

1.12 “ Participant ” shall mean any Associate of the Company or a Participating Employer who satisfies the eligibility requirements in Section II and who has an Account established under the Plan, and Participant shall also include any former Associate of the Company or a Participating Employer who was a Participant in the Plan at the time of his or her termination of employment until such time as an Account Closure occurs.

1.13 “ Participating Employer ” shall mean an Affiliate whose participation in the Plan has been approved by the Committee. The Committee may require the Participating Employer to make corresponding contributions under the Plan in accordance with rules and procedures established by the Committee. The Committee, in its sole discretion, may terminate any such Affiliate's Participating Employer status at any time and the Participants' Accounts will be treated as if such Participants had transferred employment to an Affiliate that is not a Participating Employer as described in Section 5.3 of the Plan.

1.14 " Payroll Deduction " shall mean the payroll deduction from a Participant's biweekly or weekly regular compensation (including from vacation pay and any paid leave of absence) of an amount authorized by the Participant as a Payroll Deduction Contribution.

1.15 " Plan " shall mean the Wal-Mart Stores, Inc. 2004 Associate Stock Purchase Plan (formerly known as the Wal-Mart Stores, Inc. 1996 Associate Stock Purchase Plan), as amended, restated and renamed herein, or as it may be further amended from time to time.

1.16. " Plan Year " shall mean April 1 of a calendar year to March 31 of the following calendar year, or such other period as set by the Committee.

1.17. " Section 16 Officers " shall mean those officers of the Company who are subject to subsection 16(a) of the Securities Exchange Act of 1934, as amended.

1.18. " Stock " shall mean the common stock, $.10 par value per share, of the Company.

## II. ELIGIBILITY

2.1. In General . All Associates (including Section 16 Officers) of the Company or a Participating Employer are eligible to participate in the Plan, subject to the following limitations:

(a) Associates who are restricted or prohibited from participating in the Plan under the applicable law of their state or country of residence may not participate in the Plan, except as may be provided in accordance with rules and procedures established by the Committee.

(b) Associates of the Company and its affiliates who are members of a collective bargaining unit whose benefits were the subject of good faith collective bargaining are excluded from participation in the Plan.

(c) Participation by Associates of non-U.S. Participating Employers shall only be permitted upon approval by the Committee, which approval may be limited to groups or categories of Associates designated by the non-U.S. Participating Employer.

(d) Section 16 Officers may be restricted in their ability to acquire or sell shares of Stock in order to comply with Section 16 of the Securities Exchange Act of 1934, as amended, in accordance with rules and procedures adopted by the Committee.

2.2. Leaves of Absence . Participants continue to be eligible to participate in the Plan while on a bona fide leave of absence from the Company or a Participating Employer in accordance with applicable policies of the Company or Participating Employer, or under such other circumstances with the approval of the Committee.

## III. PLAN CONTRIBUTIONS

3.1. Shares Available for Contributions . Subject to stockholder approval, as of February 1, 2004, 142,624,272 shares of Stock will be available for issuance under the Plan.

3.2. Plan Contributions . The definitions of the types of Contributions which may be made pursuant to the Plan are as follows (subject to the limits provided in Section 3.3 as applicable):

(a) " Award Contribution " means a contribution under the Plan on behalf of a Participant by the Company or a Participating Employer, as applicable, made pursuant to the Award Program in the sole discretion of the Committee.

(b) " Matching Contribution " means a cash contribution to the Plan on behalf of a Participant by the Company or a Participating Employer, as applicable, which is equal to fifteen percent (15%) of the amount of the Participant's Payroll Deduction (up to a maximum dollar limit).

(c) " Payroll Deduction Contribution " means a contribution to the Plan by a Participant pursuant to a valid authorization for a Payroll Deduction.

(d) " Voluntary Contribution " means a contribution, if and to the extent permitted by the Committee from time to time, of shares of Stock or cash by the Participant to the Participant's Account which is not made by Payroll Deduction.

3.3. Maximum Limits on Contributions .

(a) Matching Contributions and "Outstanding Performance" awards under the Award Program are subject to a maximum dollar limit for the Plan Year as set by the Committee from time to time in its discretion.

(b) During any Plan Year, the combination of Payroll Deduction Contributions and Voluntary Contributions made in cash (not Stock) by a Participant shall not exceed $125,000.

3.4. Payroll Deductions .

(a) Subject to the Committee's authority to adjust the following amounts, a Participant's authorization for Payroll Deduction shall be for a minimum amount of $2.00 per biweekly pay period or $1.00 per weekly pay period, as applicable to the Participant, and such Payroll Deduction shall be in even multiples of $.50.

(b) A Participant's request for Payroll Deduction (or a request for a revision thereto) will become effective as soon as practicable after receipt of such request by the Company or the Participating Employer, as applicable.

(c) A Participant's Payroll Deduction authorization may be revised or terminated at any time by the Participant's request to the Company or the Participating Employer, as applicable.

(d) A Participant's authorization for Payroll Deduction shall remain effective until the earlier of the Participant's (1) request to revise or terminate the Payroll Deduction authorization or (2) termination of employment with the Company or a Participating Employer, subject to Section 8 of the Plan.

(e) All requests to initiate, revise or terminate an authorization for Payroll Deduction as described in this Section 3.4 shall be made in writing or in such other form acceptable to the Committee or its delegate from time to time.

3.5. Matching Contributions . The Company or Participating Employer, as applicable, shall make Matching Contributions as provided under the Plan and subject to the limits set forth in Section 3.3.

3.6. Award Contributions . Award Contributions shall be made, in the Committee's sole discretion, by either (1) the Company or the Participating Employer, as applicable, remitting to the Account Administrator on behalf of the Participant funds sufficient to purchase any shares or fractional shares of Stock that have been granted to such Participant under the Award Program or (2) the Participant receiving the Award Contribution directly as a certificate for a share or shares (as applicable) of Stock.

3.7. Voluntary Contributions . Participants may make Voluntary Contributions to the Plan subject to the terms and limitations described herein or that may be prescribed by the Committee from time to time.

3.8. Remittance of Contributions .

(a) The Company or a Participating Employer, as applicable, will forward the total of all Payroll Deductions for the applicable payroll period along with the corresponding Matching Contributions, a list of Participants for whom the Contributions are being made and the amount allocable to each such Participant's Account to the Account Administrator as soon as practicable.

(b) Voluntary Contributions, whether made in cash or shares of Stock, shall be remitted to the Account Administrator directly by the Participant.

(c) As soon as practicable following a grant of an Award Contribution (for purposes of the "Great Job" component of the Award Program, a "grant" shall refer to the date on which the Associate tenders his or her four Great Job buttons to the Company in exchange for a share of Stock), an Award Contribution shall be made in the Committee's sole discretion as described in Section 3.6 of the Plan.

(d) Prior to the time a Participant's Payroll Deduction and corresponding Matching Contribution is distributed to the Account Administrator, such amounts are considered general assets of the Company or Participating Employer (as applicable) and, as such, are subject to the claims of the Company's or Participating Employer's (as applicable) creditors in the event of insolvency or bankruptcy. In addition, no interest shall be paid on such amounts and all Participants assume the risk of fluctuations in the value or market price of Stock.

## IV. ACCOUNT PURCHASES, MAINTENANCE & SALES

4.1. Account Establishment . The Account Administrator shall establish an Account in accordance with the Plan for any Associate who becomes a Participant. Upon the Committee's (or its delegate's) request, the Account Administrator shall establish an Account for an Associate who is to be awarded shares under an Award Program and who is not then a Participant.

4.2. Share Purchases . No later than five business days after the Account Administrator receives the remittance of funds for Contributions (including Voluntary Contributions made in cash) made to the Plan, the Account Administrator shall purchase shares of Stock from the Company, a national stock exchange or in a combination of the foregoing. Notwithstanding the foregoing, the Committee may from time to time provide instructions to the Account Administrator with respect to the purchase of such shares of Stock but, absent such instructions, the Account Administrator shall determine the source of such Stock purchases in its discretion.

(a) In the case of purchases from the Company of authorized but unissued or treasury shares of Stock, the price of such shares is equal to the Volume Weighted Average Price (VWAP) as reported on the New York Stock Exchange – Composite Transactions on the relevant date of purchase; provided, however, that the Committee may, in its discretion, designate some other methodology for determining the fair market value of such shares of Stock purchased from the Company.

(b) The Account Administrator's purchase of shares of Stock from a national stock exchange and the price per share shall be in accordance with rules and procedures established by the Committee from time to time.

(c) As determined in the discretion of the Account Administrator (in accordance with any applicable rules and procedures of the Committee), funds received as Voluntary Contributions may be bundled into a group for the purpose of purchasing shares of Stock and such shares may be purchased over a time period that is greater than one day. If such shares of Stock are purchased as part of a bundled group, a Participant's purchase price for each share of Stock shall be the average price of all shares of Stock purchased within that group as determined by the Account Administrator.

(d) No provision of this Plan shall limit the ability of the Committee to implement a real-time trading (or other) mechanism for the purchase or sale of shares of Stock under the Plan and, to the extent determined by the Committee, shall replace any other methodology for valuing and allocating shares of Stock purchased or sold under the Plan.

4.3. Share Purchases for Non-U.S. Participants . With respect to non-U.S. Participants, the amounts (1) withheld from such a Participant's compensation pursuant to an authorization for Payroll Deduction or (2) contributed as either a Matching Contribution or an Award Contribution made directly to a Participant's Account shall be converted from the applicable foreign currency to U.S. dollars for the purpose of purchasing shares of Stock, and such conversion shall be pursuant to the exchange rate published in The Wall Street Journal on a date as soon as practicable prior to the effective date of the cash transfer from the Company or the Participating Employer, as applicable, to the Account Administrator. All such Participants assume the risk of fluctuations in the value or market price of shares of Stock and applicable currency exchange rates. With respect to non-U.S. Participants making Voluntary Contributions in cash, such amounts must be tendered to the Account Administrator in U.S. dollars unless otherwise determined by the Committee.

4.4. Allocation to Accounts . The number of shares (whole and fractional shares) of Stock shall depend upon the purchase price as described in Section 4.2 at the time such purchases are made. Purchases of Stock will be allocated by the Account Administrator based upon the applicable purchase price to each applicable Participant's Account in proportion to the respective amount of Contributions received for each Participant's Account. Allocations of Stock will be made in full shares and in fractional interests in shares to the thousandths of a share.

4.5. Share Ownership . At the time shares of Stock are credited to a Participant's Account, he or she will acquire full ownership of all such shares (as well as any fractional interests) of Stock.

(a) All shares of Stock will be registered in the name of the Account Administrator and will remain so registered until delivery is requested by the Participant. The Participant may request from the Account Administrator that a certificate for any or all full shares of Stock be delivered to the Participant at no cost to such Participant at any time.

(b) The Account Administrator shall cause to be delivered at no cost to each Participant as promptly as practicable, by mail or otherwise, all notices of meetings, proxy statements and other material distributed by the Company to its stockholders. The full shares of Stock in each Participant's Account shall be voted in accordance with the Participant's signed proxy instructions timely delivered to the Account Administrator. In the event that a Participant does not timely provide the Account Administrator with proxy voting instructions, the Account Administrator may direct the voting of such shares of Stock held in an Account to the extent such action or direction would comply with applicable law and any applicable listing standards of a national stock exchange.

(c) A Participant may not assign or hypothecate any interest in the Plan; provided, however, that upon purchase of shares under the Plan, such shares may be sold, assigned, pledged, hypothecated or otherwise dealt with as would be the case with respect to any other shares of Stock the Participant might otherwise own.

(d) Neither the Company nor any Participating Employer may make any deductions from amounts properly credited to a Participant's Account. Neither the Company nor any Participating Employer shall have any security interest on the shares of Stock held in a Participant's Account. Notwithstanding the foregoing, a lender may have a security interest on the shares of Stock held in a Participant Account if the Participant has pledged such Stock as collateral in connection with a line of credit that may be obtained by certain Participants (other than Section 16 Officers) through the Stock Secured Line of Credit Program.

4.6. Account Statements . Each Participant will be sent at least an annual statement reflecting all Account activity during the period covered by the statement.

4.7. Risk of Loss . There is no guarantee of the value or market price of shares of Stock acquired pursuant to the Plan. In seeking potential benefits of Stock ownership, each Participant bears the risks associated with Plan participation and ownership of Stock, including the risk of any decrease in the value of market price of shares of Stock acquired pursuant to the Plan.

4.8. Commission & Maintenance Charges .

(a) No brokerage commissions are charged to Participants for purchases of Stock under the Plan, however, brokerage commissions and other applicable fees shall be charged to the Participant for all sales of Stock from his or her Account. Such commissions and other applicable fees for sales of Stock held in a Participant's Account shall be at the rates posted by the Account Administrator, which may be changed from time to time by the Account Administrator with approval of the Committee (or its delegate).

(b) The Company or Participating Employer, as applicable, shall pay the applicable annual maintenance fees (if any) for the Participant's Account until the earlier of (1) a Participant Account Closure occurs or (2) the Participant incurs a termination of employment with the Company or Participating Employer, as applicable, subject to Section 5.3. Any services requested of the Account Administrator by the Participant that are not covered by the Company's arrangement with the Account Administrator shall be paid for solely by the Participant.

(c) At such time as the Company or Participating Employer, as applicable, ceases to pay the applicable Account maintenance fees as set forth subsection (b) above, the Participant shall become responsible for any applicable Account maintenance fees. In this case, annual maintenance fees and other applicable charges to the Account shall be paid from time to time to the Account Administrator automatically from the proceeds of a sale of a sufficient number of shares of Stock held in the Participant's Account until the earlier of a Participant Account Closure or an Automatic Account Closure occurring.

4.9. Account Sales . The Participant may instruct the Account Administrator in writing (or any other method acceptable to the Committee or its delegate) at any time to sell any portion or all of his or her full shares of Stock and the fractional interest in any shares of Stock allocable to his or her Account, and the timing for such sale of Stock shall be in accordance with rules and procedures established by the Committee from time to time.

(a) The sale price for a share of Stock under the Plan shall be the average price of all shares of Stock sold by the Account Administrator on the date of the Participant's sale transaction; provided, however, that the Committee reserves the right to implement a real-time trading or similar mechanism for Participants' sales of shares of Stock from their respective Accounts under the Plan and the valuation of shares of Stock would be in accordance with any such mechanism.

(b) Upon such sale, the Account Administrator shall mail to the Participant a check (or such method of payment as approved by the Committee or its delegate) for the proceeds, less the brokerage commission, and other normal charges such as sales fees, which are payable by the Participant.

(c) Such instruction to the Account Administrator, or a request for delivery of Stock certificates held in the Participant's Account, will not affect the Participant's status as a Participant under the Plan unless an Account Closure occurs.

(d) With respect to non-U.S. Participants, shares of Stock are sold or traded in U.S. dollars and such amounts can be converted for the purpose of remitting the proceeds to the non-U.S. Participant.

If the proceeds from the sale of shares of Stock held in the Participant's Account are converted, such conversion shall be made pursuant to the exchange rate published in The Wall Street Journal on the date such transaction is executed. All such Participants assume the risk of fluctuations in the value or market price of shares of Stock and applicable currency exchange rates.

## V. ACCOUNT CLOSURE & TERMINATION OF EMPLOYMENT

5.1. Account Closure . A Participant who elects to discontinue Payroll Deductions under the Plan shall continue to be a Participant until the earlier of a Participant Account Closure or an Automatic Account Closure occurring. In connection with a Participant Account Closure, the Participant must elect to have his or her Account fully distributed in either (1) Stock (except that the value of any fractional shares of Stock will be distributed in cash less any applicable fees) or (2) cash by directing all full shares (and fractional interests) of Stock to be sold with the proceeds, less applicable brokerage commissions and other applicable fees, being distributed.

5.2. By Termination of Employment Other Than Due to Death of Participant . The Account of a Participant who incurs a termination of employment (other than by reason of death) with the Company or a Participating Employer will continue to be maintained with the annual fees and any other applicable charges being paid by the Participant in accordance with Section 4.8(c) of the Plan.

5.3. By Transferring Employment from the Company or a Participating Employer to an Affiliate . A Participant who transfers employment from the Company or a Participating Employer to an Affiliate who does not sponsor or participate in the Plan may continue to have his or her Account maintained at the expense of the Company while still employed with an Affiliate until the earlier of a Participant Account Closure or an Automatic Account Closure occurring (provided that such Automatic Account Closure can only occur following termination of employment with such Affiliate). In connection with a Participant Account Closure, the Participant must elect to have his or her Account fully distributed in either (1) Stock (except that the value of any fractional shares of Stock will be distributed in cash less any applicable fees) or (2) cash by directing all full shares (and fractional interests) of Stock to be sold with the proceeds, less applicable brokerage commissions and other applicable fees, being distributed.

Such Participant shall no longer be eligible to make or receive Contributions to the Plan (including by Payroll Deduction or Voluntary Contribution).

5.4. Termination Due to Death of Participant . Following a Participant's death, the Company or Participating Employer, as applicable, shall cease making Payroll Deductions and Matching Contributions to such Participant's Account as soon as practicable. In addition, as soon as practicable following the Participant's death, the Account Administrator will distribute the proceeds of the deceased Participant's Account less any applicable fees in accordance with rules and procedures established by the Committee (which may include a designation by a Participant of a beneficiary or a joint tenant with respect to a Participant's Account) and, in the absence of applicable rules and procedures (or such designations), to the Participant's estate.

## VI. AWARD PROGRAM

6.1. Scope of the Award Program . The Award Program is designed to provide an incentive to Associates of the Company and Participating Employers who provide exceptional customer service and job performance. Awards under the Award Program are not intended to be given to those who satisfy, but do not exceed, expectations. The Award Program includes a "Great Job" component and an "Outstanding Performance" component.

6.2. Great Job Component . Awards under the Great Job component consist of "Great Job" buttons, which can be worn by Associates while at work.

(a) Great Job buttons are awarded by management of the Company or Participating Employers, as applicable.

(b) Once an Associate earns four “Great Job” buttons, he or she is eligible to receive one (1) share of Stock and such Participant will be given a new button signifying that he or she is a “Great Job Stockholder” Associate. As described in Section 3.6 of the Plan, the Committee may, in its discretion, issue the award of Stock under the Award Program to a Participant’s Account under the Plan instead of issuing the Stock certificate directly.

6.3. Outstanding Performance Component . An “Outstanding Performance” award is an award of Stock to an Associate in recognition of the individual’s consistently outstanding performance in his or her specific job-related roles over a month, a quarter, or a year.

(a) Associates who receive “Outstanding Performance” awards may either be issued certificates for shares of Stock or, at the discretion of the Committee, the Company (or Participating Employer) may have the Account Administrator purchase shares of Stock to be credited to the Participant’s Account as described in Section 3.6 of the Plan.

(b) “Outstanding Performance” awards are either approved directly by the Committee or by its delegate in accordance with rules and procedures established by the Committee, and are subject to individual maximum dollar limitations as set by the Committee from time to time.

## VII. ADMINISTRATION

7.1. Committee.

(a) Subject to Section 7.2, the Plan shall be administered by the Committee.

(b) The Committee may delegate to officers or managers of the Company or any Affiliate the authority, subject to such terms as the Committee shall determine, to perform specified functions under the Plan. The Committee also may revoke any such delegation of authority at any time.

7.2. Powers of the Committee . Subject to and consistent with the provisions of the Plan, the Committee has full and final authority and sole discretion as follows:

(a) to determine when, to whom and in what types and amounts Contributions should be made;

(b) to make Contributions to eligible Associates in any number, and to determine the terms and conditions applicable to each Contribution;

(c) to determine whether any terms and conditions applicable to a Contribution have been satisfied;

(d) to set minimum and maximum dollar, share or other limitations on the various types of Contributions under the Plan;

(e) to determine whether an Affiliate should be designated as a Participating Employer and whether an Affiliate’s Participating Employer status should be terminated;

(f) to determine whether Associates of non-U.S. Participating Employers should be eligible to participate in the Plan;

(g) to construe and interpret the Plan and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;

(h) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan (including, but not limited to, such rules and regulations that would allow designations for beneficiaries and/or joint tenants to be made by Participants in connection with Accounts under the Plan);

(i) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(j) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and award agreements or any other instrument entered into or relating to a Contribution under the Plan; and

(k) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, its Affiliates, any Associate, any person claiming any rights under the Plan from or through any Participant, and stockholders, except to the extent the Committee may subsequently modify, or take further action not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

**VIII. AMENDMENT & TERMINATION**

8.1. Right to Amend or Terminate . The Board, or a duly authorized committee thereof, reserves the right to amend, modify, suspend or discontinue the Plan at any time in its sole discretion without the approval of the Company's stockholders, except that (a) any amendment or modification shall be subject to the approval of the Company's stockholders if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the shares of Stock may then be listed or quoted, and (b) the Board may otherwise, in its discretion, determine to submit other such amendments or modifications to stockholders for approval.

8.2. Limitation on Right to Amend or Terminate . Any such amendment, modification, suspension or termination will not result in the forfeiture of (1) any funds contributed but not yet invested in the Participant's Account, (2) any shares (or fractional interests) of Stock purchased on behalf of the Participant under the Plan, or (3) any dividends or other distributions in respect of such shares of that are declared subsequent to a Participant's Contribution but prior to the effective date of the amendment, modification, suspension or termination of the Plan.

**IX. MISCELLANEOUS PROVISIONS**

9.1. Successors . All obligations of the Company under the Plan with respect to Contributions made hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

9.2. Severability . If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

9.3. Requirements of Law . The granting of awards, the making of Contributions, and the delivery of shares of Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Notwithstanding any provision of the Plan, Participants shall not be entitled to receive benefits under the Plan, and the Company (and any Affiliate) shall not be obligated to deliver any shares of Stock or deliver benefits to a Participant, if such delivery would constitute a violation by the Participant or the Company or any of its Affiliates of any applicable law or regulation.

9.4. Securities Law Compliance .

(a) If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any stock exchange upon which shares of Stock may be listed, the Committee may impose any restriction on Contributions or shares of Stock acquired pursuant to Contributions under the Plan as it may deem advisable. All certificates for shares of Stock delivered under the Plan pursuant to any Contribution shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which shares of Stock are then listed, any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. If so requested by the Company, the Participant shall make a written representation to the Company that he or she will not sell or offer to sell any shares of Stock unless a registration statement shall be in effect with respect to such shares of Stock under the Securities Act of 1993, as amended, and any applicable state securities law or unless he or she shall have furnished to the Company, in form and substance satisfactory to the Company, that such registration is not required.

(b) If the Committee determines that the nonforfeitability of, or delivery of benefits pursuant to, any Contribution would violate any applicable provision of securities laws or the listing requirements of any national securities exchange or national market system on which are listed any of the Company's equity securities, then the Committee may postpone any such nonforfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such nonforfeitability or delivery to comply with all such provisions at the earliest practicable date.

9.5. No Rights as a Stockholder . No Participant shall have any rights as a stockholder of the Company with respect to the shares of Stock which may be deliverable to the Participant's Account in connection with a Contribution (other than a Voluntary Contribution of previously-owned shares of Stock) under the Plan until such shares of Stock have been credited to his or her Account or have been delivered to him or her.

9.6. Nature of Payments . Matching Contributions and Award Contributions shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance or other employee benefit plan of the Company or any Affiliate, except as such plan shall otherwise expressly provide, or (b) any agreement between (i) the Company or any Affiliate and (ii) the Participant, except as such agreement shall otherwise expressly provide.

9.7. Non-Exclusivity of the Plan . Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for Associates as it may deem desirable.

9.8. Military Service . The Plan shall be administered in accordance with Section 414(u) of the Internal Revenue Code and the Uniformed Services Employment and Reemployment Rights Act of 1994.

9.9. Construction . The following rules of construction will apply to the Plan: (a) the word "or" is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other neuter genders.

9.10. Headings . The headings of articles and sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

9.11. Stockholder Approval . All Contributions made on or after the effective date of the amended and restated Plan and prior to the date the Company's stockholders approve the amended and restated Plan are expressly conditioned upon and subject to approval of the amended and restated Plan by the Company's stockholders.

9.12. Taxes . All Matching Contributions and Award Contributions are subject to withholding for applicable federal, state and local income taxes and will be reported as wage income by the Company. When a Participant authorizes a Payroll Deduction of a specific amount, more than that amount will actually be withheld from his or her compensation to cover the withholding taxes due on the Matching Contribution. The distribution of shares of Stock to Participants will not be a taxable event.

9.13. Company-Associate Relationships . Nothing contained in this Plan shall in any way affect the rights of the Company in its relationship with any Associate or affect the Company's right to discharge any Associate or increase or reduce any Associate's compensation.

9.14. Governing Law . This Plan shall be governed by the laws of the State of Arkansas, except to the extent it is governed by the federal securities laws or the choice of laws provision contained in the Company's agreement with the Account Administrator.



**EXHIBIT 12**

**RATIO OF EARNINGS TO FIXED CHARGES**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2005** | **2004** | **2003** | **2002** | **2001** |
| Income from continuing operations before income tax | $16,105 | $14,193 | $12,368 | $10,396 | $ 9,783 |
| Capitalized interest | (120) | (144) | (124) | (130) | (93) |
| Minority interest | (249) | (214) | (193) | (183) | (129) |
| Adjusted income from continuing operations before income taxes | 15,736 | 13,835 | 12,051 | 10,083 | 9,561 |
| Fixed charges: | | | | | |
| Interest* | 1,332 | 1,157 | 1,191 | 1,491 | 1,486 |
| Interest component of rent | 319 | 306 | 318 | 289 | 245 |
| Total fixed charges | 1,651 | 1,463 | 1,509 | 1,780 | 1,731 |
| Income from continuing operations before income taxes and fixed charges | $17,387 | $15,298 | $13,560 | $11,863 | $11,292 |
| **Ratio of Earnings to Fixed Charges** | 10.53x | 10.46x | 8.99x | 6.66x | 6.52x |

* Includes interest on debt and capital leases, amortization of debt issuance costs and capitalized interest.

Certain reclassifications have been made to prior periods to conform to the current period presentation. In addition, the impact of McLane Company, Inc. as a discontinued operation has been removed for all periods presented.

**Exhibit 13**

**11-Year Financial Summary**

WAL-MART

*(Dollar amounts in millions except per share data)*

| Fiscal Years Ending January 31, | **2005** | 2004 | 2003 |
|---|---|---|---|
| **Net Sales** | **$285,222** | $256,329 | $229,616 |
| Net sales increase | **11.3%** | 11.6% | 12.6% |
| Comparative store sales increase in the United States [(1)] | **3%** | 4% | 5% |
| Cost of sales | **$219,793** | $198,747 | $178,299 |
| Operating, selling, general and administrative expenses | **51,105** | 44,909 | 39,983 |
| Interest expense, net | **986** | 832 | 927 |
| Effective tax rate | **34.7%** | 36.1% | 35.2% |
| Income from continuing operations | **$ 10,267** | $ 8,861 | $ 7,818 |
| Net income | **10,267** | 9,054 | 7,955 |
| Per share of common stock: | | | |
| Income from continuing operations, diluted | **$ 2.41** | $ 2.03 | $ 1.76 |
| Net income, diluted | **2.41** | 2.07 | 1.79 |
| Dividends | **0.52** | 0.36 | 0.30 |
| **Financial Position** | | | |

| | | | |
|---|---|---|---|
| Current assets of continuing operations | **$ 38,491** | $ 34,421 | $ 29,543 |
| Inventories | **29,447** | 26,612 | 24,401 |
| Property, equipment and capital lease assets, net | **68,567** | 59,023 | 51,374 |
| Total assets of continuing operations | **120,223** | 105,405 | 92,900 |
| Current liabilities of continuing operations | **42,888** | 37,840 | 32,225 |
| Long-term debt | **20,087** | 17,102 | 16,597 |
| Long-term obligations under capital leases | **3,582** | 2,997 | 3,000 |
| Shareholders' equity | **49,396** | 43,623 | 39,461 |
| **Financial Ratios** | | | |
| Current ratio | **0.9** | 0.9 | 0.9 |
| Return on assets (2) | **9.3%** | 9.2% | 9.2% |
| Return on shareholders' equity (3) | **22.1%** | 21.3% | 20.9% |
| **Other Year-End Data** | | | |
| Discount Stores in the United States | **1,353** | 1,478 | 1,568 |
| Supercenters in the United States | **1,713** | 1,471 | 1,258 |
| SAM'S CLUBs in the United States | **551** | 538 | 525 |
| Neighborhood Markets in the United States | **85** | 64 | 49 |
| Units outside the United States | **1,587** | 1,355 | 1,272 |
| Shareholders of record | **331,000** | 335,000 | 330,000 |

(1) *Comparative store sales are considered to be sales at stores that were open as of February 1 of the prior fiscal year and have not been expanded or relocated since that date.*

(2) *Income from continuing operations before minority interest divided by average assets.*

(3) *Income from continuing operations divided by average shareholders' equity.*

Financial information for all years has been restated to reflect the sale of McLane Company, Inc. ("McLane") that occurred in fiscal 2004. McLane is presented as a discontinued operation. All years have been restated for the adoption of the expense recognition provisions of Financial Accounting Standards Board Statement No. 123, "Accounting and Disclosure of Stock-Based Compensation." Fiscal 1995 was not affected by the adoption.

In fiscal 2003, the Company adopted Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets." In years prior to adoption, the Company recorded amortization expense related to goodwill.

| 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|
| $204,011 | $180,787 | $156,249 | $130,522 | $112,005 | $ 99,627 | $ 89,051 | $ 78,338 |
| 12.8% | 15.7% | 19.7% | 16.5% | 12.4% | 11.9% | 13.7% | 23.6% |
| 6% | 5% | 8% | 9% | 6% | 5% | 4% | 7% |
| $159,097 | $140,720 | $121,825 | $102,490 | $ 88,163 | $ 78,897 | $ 70,485 | $ 61,929 |
| 35,147 | 30,822 | 26,025 | 21,778 | 18,831 | 16,437 | 14,547 | 12,434 |
| 1,183 | 1,196 | 840 | 598 | 716 | 807 | 863 | 669 |
| 36.2% | 36.5% | 36.8% | 37.4% | 37.0% | 36.8% | 36.8% | 37.2% |
| $ 6,448 | $ 6,087 | $ 5,394 | $ 4,240 | $ 3,424 | $ 2,978 | $ 2,689 | $ 2,643 |
| 6,592 | 6,235 | 5,324 | 4,397 | 3,504 | 3,042 | 2,737 | 2,681 |
| | | | | | | | |
| $ 1.44 | $ 1.36 | $ 1.21 | $ 0.95 | $ 0.76 | $ 0.65 | $ 0.58 | $ 0.58 |
| 1.47 | 1.39 | 1.19 | 0.98 | 0.77 | 0.66 | 0.59 | 0.59 |
| 0.28 | 0.24 | 0.20 | 0.16 | 0.14 | 0.11 | 0.10 | 0.09 |
| | | | | | | | |
| $ 26,615 | $ 25,344 | $ 23,478 | $ 20,064 | $ 18,589 | $ 17,385 | $ 16,779 | $ 14,827 |
| 22,053 | 20,987 | 19,296 | 16,361 | 16,005 | 15,556 | 15,667 | 13,726 |
| 45,248 | 40,461 | 35,533 | 25,600 | 23,237 | 19,935 | 18,554 | 15,561 |
| 81,549 | 76,231 | 68,983 | 48,513 | 44,221 | 38,571 | 36,621 | 31,959 |
| 26,795 | 28,366 | 25,525 | 16,155 | 13,930 | 10,432 | 10,944 | 9,449 |
| 15,676 | 12,489 | 13,653 | 6,887 | 7,169 | 7,685 | 8,483 | 7,844 |
| 3,044 | 3,152 | 3,000 | 2,697 | 2,480 | 2,304 | 2,089 | 1,834 |
| 35,192 | 31,407 | 25,878 | 21,141 | 18,519 | 17,151 | 14,757 | 12,726 |
| | | | | | | | |
| 1.0 | 0.9 | 0.9 | 1.2 | 1.3 | 1.7 | 1.5 | 1.6 |
| 8.4% | 8.6% | 9.8% | 9.5% | 8.5% | 8.0% | 7.9% | 9.2% |
| 19.4% | 21.3% | 22.9% | 21.4% | 19.2% | 18.7% | 19.6% | 22.5% |
| | | | | | | | |
| 1,647 | 1,736 | 1,801 | 1,869 | 1,921 | 1,960 | 1,995 | 1,985 |
| 1,066 | 888 | 721 | 564 | 441 | 344 | 239 | 147 |
| 500 | 475 | 463 | 451 | 443 | 436 | 433 | 426 |
| 31 | 19 | 7 | 4 | — | — | — | — |
| 1,154 | 1,054 | 991 | 703 | 589 | 314 | 276 | 226 |
| 324,000 | 317,000 | 307,000 | 261,000 | 246,000 | 257,000 | 244,000 | 259,000 |

The acquisition of the ASDA Group PLC and the Company’s related debt issuance had a significant impact on the fiscal 2000 amounts in this summary.

Years prior to 1998 have not been restated for the effects of the change in accounting method for SAM’S CLUB membership revenue recognition as the effects of this change would not have a material impact on this summary. The cumulative effect for this accounting change recorded in fiscal 2000 amounted to $198 million net of tax.

Certain reclassifications have been made to prior periods to conform to current presentations.

## Management’s Discussion and Analysis of Results of Operations and Financial Condition

WAL-MART

### Overview

Wal-Mart Stores, Inc. (“Wal-Mart” or the “Company”) is a global retailer committed to growing by improving the standard of living for our customers throughout the world. We earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices (“EDLP”) while fostering a culture that rewards and embraces mutual respect, integrity and diversity. EDLP is our pricing philosophy under which we price items at a low price every day so that our customers trust that our prices will not change erratically under frequent promotional activity. SAM’S CLUB is in business for small businesses. Our focus for SAM’S CLUB is to provide exceptional value on brand-name merchandise at “members only” prices for both business and personal use. Internationally, we operate with similar philosophies.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole. This discussion should be read in conjunction with our financial statements and accompanying notes as of January 31, 2005, and the year then ended.

Throughout this Management’s Discussion and Analysis of Results of Operations and Financial Condition, we discuss segment operating income and comparative store sales. Segment operating income refers to income from continuing operations before net interest expense, income taxes and minority interest. Segment operating income does not include unallocated corporate overhead. Comparative store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. We consider comparative store sales to be sales at stores that were open as of February 1st of the prior fiscal year and have not been expanded or relocated since that date. Stores that were expanded or relocated during that period are not included in the calculation. Comparative store sales is also referred to as “same-store” sales by others within the retail industry. The method of calculating comparative store sales varies across the retail industry. As a result, our calculation of comparative store sales is not necessarily comparable to similarly titled measures reported by other companies.

On May 2, 2003, we announced that we had entered into an agreement to sell McLane Company, Inc. (“McLane”), one of our wholly-owned subsidiaries, for $1.5 billion. On May 23, 2003, the transaction was completed. As a result of this sale, we have classified McLane as a discontinued operation in the financial statements and these discussions and comparisons of the current and prior fiscal years. McLane’s external sales prior to the divestiture were $4.3 billion in fiscal 2004 and $14.9 billion for fiscal 2003. McLane continues to be a supplier to the Company.

#### *Operations*

Our operations are comprised of three business segments: Wal-Mart Stores, SAM’S CLUB and International.

Our Wal-Mart Stores segment is the largest segment of our business, accounting for approximately 67.3% of our fiscal 2005 sales. This segment consists of three different retail formats, all of which are located in the United States, including:

- Supercenters, which average approximately 187,000 square feet in size and offer a wide assortment of general merchandise and a full-line supermarket;
- Discount Stores, which average approximately 100,000 square feet in size and offer a wide assortment of general merchandise and a limited assortment of food products; and
- Neighborhood Markets, which average approximately 43,000 square feet in size and offer a full-line supermarket and a limited assortment of general merchandise.

Our SAM’S CLUB segment consists of membership warehouse clubs in the United States and accounts for approximately 13.0% of our fiscal 2005 sales. Our SAM’S CLUBs in the United States average approximately 128,000 square feet in size.

Our International operations are located in eight countries and Puerto Rico. Internationally, we generated approximately 19.7% of our fiscal 2005 sales. Outside the United States, we operate several different formats of retail stores and restaurants, including Supercenters, Discount Stores and SAM’S CLUBs. Additionally, we own an unconsolidated 37% minority interest in The Seiyu, Ltd. (“Seiyu”), a retailer in Japan.

#### *The Retail Industry*

We operate in the highly competitive retail industry in both the United States and abroad. We face strong sales competition from other general merchandise, food and specialty retailers. Additionally, we compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees (“Associates”). We, along with other retail companies, are influenced by a number of factors including, but not limited to: cost of goods, consumer debt levels, economic conditions, customer preferences, employment, labor costs, inflation, currency exchange fluctuations, fuel prices, weather patterns, insurance costs and accident costs.

#### *Key Items in Fiscal 2005*

Significant financial items during fiscal 2005 include:

- Net sales increased 11.3% from fiscal 2004 to $285.2 billion in fiscal 2005, and income from continuing operations increased 15.9% to $10.3 billion. Foreign currency exchange rates favorably impacted sales by $3.2 billion in fiscal 2005.

- Net operating cash provided by operating activities was $15.0 billion for fiscal 2005. During fiscal 2005 we repurchased $4.5 billion of our common stock under our share repurchase program and paid dividends of $2.2 billion. Additionally during fiscal 2005, we issued $5.8 billion in long-term debt securities and repaid $2.1 billion of long-term debt.

- Total assets increased 14.1%, to $120.2 billion at January 31, 2005, when compared to January 31, 2004. During fiscal 2005, we made $12.9 billion of capital expenditures which was an increase of 25.1% over capital expenditures of $10.3 billion in fiscal 2004.
- Our International segment had an operating income increase of 26.1% and a sales increase of 18.3% compared to fiscal 2004. The largest contributors to the strong international performance were our operations in Mexico and the United Kingdom. Fiscal 2005 operating income for the International segment includes a favorable impact of $150 million from changes in foreign currency exchange rates.
- SAM'S CLUB's continued focus on our business members helped drive a 13.7% increase in operating income on a 7.5% increase in sales when comparing fiscal 2005 with fiscal 2004.
- When compared to fiscal 2004, our Wal-Mart Stores segment experienced a 9.7% increase in operating profit and a 10.1% increase in sales in fiscal 2005.

***Company Performance Measures***

Management uses a number of metrics to assess its performance. The following are the more frequently discussed metrics:

- Comparative store sales is a measure which indicates whether our existing stores continue to gain market share by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Our Wal-Mart Stores segment's comparative store sales were 2.9% for fiscal 2005 versus 3.9% for fiscal 2004. The lower comparative store sales growth in fiscal 2005 is generally reflective of the softer economy in fiscal 2005, including the impact of higher fuel and utility costs on our customers. Our SAM'S CLUB segment's comparative club sales were 5.8% in fiscal 2005 compared to 5.3% in fiscal 2004. The more favorable growth in fiscal 2005 resulted from our continued focus on the business member.
- Operating income growth greater than net sales growth has long been a measure of success for us. For fiscal 2005 our operating income increased by 13.8% when compared to fiscal 2004, while net sales increased by 11.3% over the same period. Both International and SAM'S CLUB segments met this target; however, the Wal-Mart Stores segment fell slightly short.
- Inventory growth at a rate less than half of sales growth is a key measure of our efficiency. Total inventories at January 31, 2005, were up 10.7% over levels at January 31, 2004, and sales were up 11.3% when comparing fiscal 2005 with fiscal 2004. This ratio was affected in fiscal 2005 by sales which were weaker than anticipated, as well as by increased levels of imported merchandise, which carries a longer lead time.
- With an asset base as large as ours, we are focused on continuing to make certain our assets are productive. It is important for us to sustain our return on assets at its current level. Return on assets is defined as income from continuing operations before minority interest divided by average total assets. Return on assets for fiscal 2005, 2004 and 2003 was 9.3%, 9.2 % and 9.2%, respectively.

**Results of Operations**

The Company and each of its operating segments had net sales (in millions), as follows:

| | **2005** | | | 2004 | | | 2003 | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended January 31, | **Net sales** | **Percent of total** | **Percent increase** | Net sales | Percent of total | Percent increase | Net sales | Percent of total |
| Wal-Mart Stores | **$191,826** | **67.3%** | **10.1%** | $174,220 | 68.0% | 10.9% | $157,120 | 68.4% |
| SAM'S CLUB | **37,119** | **13.0%** | **7.5%** | 34,537 | 13.5% | 8.9% | 31,702 | 13.8% |
| International | **56,277** | **19.7%** | **18.3%** | 47,572 | 18.5% | 16.6% | 40,794 | 17.8% |
| Total net sales | **$285,222** | **100.0%** | **11.3%** | $256,329 | 100.0% | 11.6% | $229,616 | 100.0% |

Our total net sales increased by 11.3% and 11.6% in fiscal 2005 and 2004 when compared to the previous fiscal year. Those increases resulted from our expansion programs and comparative store sales increases in the United States. Comparative store sales increased 3.3% in fiscal 2005 and 4.1% in fiscal 2004. As we continue to add new stores in the United States, we do so with an understanding that additional stores may take sales away from existing units. We estimate that comparative store sales in fiscal 2005, 2004 and 2003 were negatively impacted by the opening of new stores by approximately 1%. We expect that this effect of opening new stores on comparable store sales will continue during fiscal 2006 at a similar rate.

During fiscal 2005 and 2004, foreign currency exchange rates had a $3.2 billion and $2.0 billion favorable impact, respectively, on the International segment's net sales causing an increase in the International segment's net sales as a percentage of total net sales relative to the Wal-Mart Stores and SAM'S CLUB segments. Additionally, the decrease in the SAM'S CLUB segment's net sales as a percent of total Company sales in fiscal 2005 and 2004 when compared to fiscal 2003 resulted from the more rapid development of new stores in the International and Wal-Mart Stores segments than the SAM'S CLUB segment.

Our total gross profit as a percentage of net sales (our "gross margin") was 22.9%, 22.5% and 22.3% in fiscal 2005, 2004 and 2003, respectively. Our Wal-Mart Stores and International segment sales yield higher gross margins than our SAM'S CLUB segment. Accordingly, the greater increases in net sales for the Wal-Mart Stores and International segments in fiscal 2005 and 2004 had a favorable impact on the Company's total gross margin.

Operating, selling, general and administrative expenses ("operating expenses") as a percentage of net sales were 17.9%, 17.5% and 17.4% for fiscal 2005, 2004 and 2003, respectively. The increase in operating expenses as a percentage of total net sales was primarily due to a faster rate of growth in operating expenses in our Wal-Mart Stores and International segments, which have higher operating expenses as a percentage of segment net sales than our SAM'S CLUB segment. Operating expenses in fiscal 2005 were impacted by the Wal-Mart Stores and SAM'S CLUB segments' implementation of a new job classification and pay structure for hourly field Associates in the United States. The job classification and pay structure, which was implemented in the second quarter of fiscal 2005, was designed to help maintain internal equity and external competitiveness.

Operating expenses in fiscal 2004 were impacted by the adoption of Emerging Issues Task Force Issue No. 02-16, " Accounting by a Reseller for Cash Consideration Received from a Vendor" ("EITF 02-16"). The adoption of EITF 02-16 resulted in an after-tax reduction in fiscal 2004 net income of approximately $140 million.

Interest, net, as a percentage of net sales increased slightly in fiscal 2005 when compared with fiscal 2004 due to higher borrowing levels and higher interest rates during fiscal 2005. For fiscal 2004, interest, net, as a percentage of net sales decreased 0.1% when compared to fiscal 2003, primarily from lower average interest rates on our outstanding debt and the positive impact of our fixed-to-variable interest rate-swap program.

Our effective income tax rates for fiscal 2005, 2004 and 2003 were 34.7%, 36.1% and 35.2%, respectively. The reduction in our effective tax rate from fiscal 2004 to fiscal 2005 is due to the passage of the Working Families Tax-Relief Act of 2004 in October 2004, which retroactively extended the work opportunity tax credit for fiscal 2005. Additionally, our fiscal 2004 effective tax rate was impacted by an increase to our valuation allowance. As a result of tax legislation in Germany in January 2004, we re-evaluated the recoverability of our deferred tax asset in Germany. This re-evaluation resulted in a $150 million charge to increase our valuation allowance in fiscal 2004. This increase in our valuation allowance caused our effective tax rate to rise to 36.1% in fiscal 2004.

In fiscal 2005, we earned income from continuing operations of $10.3 billion, a 15.9% increase over fiscal 2004. Net income in fiscal 2005 increased 13.4% from fiscal 2004 largely as a result of the increase in income from continuing operations described above, net of the $193 million previously provided in fiscal 2004 by McLane, which was disposed in the first half of fiscal 2004 and accounted for as a discontinued operation in that period. During fiscal 2004, we earned income from continuing operations of $8.9 billion, a 13.3% increase over fiscal 2003. Our net income increased 13.8% over the same period largely as a result of the increase in income from continuing operations described above and the $151 million after-tax gain on the sale of McLane recognized in fiscal 2004.

***Wal-Mart Stores Segment***

| Fiscal Year | Segment Net Sales Increase from Prior Fiscal Year | Segment Operating Income (in millions) | Segment Operating Income Increase from Prior Fiscal Year | Operating Income as a Percentage of Segment Sales |
|---|---|---|---|---|
| **2005** | **10.1%** | **$14,163** | **9.7%** | **7.4%** |
| 2004 | 10.9% | 12,916 | 9.1% | 7.4% |
| 2003 | 12.9% | 11,840 | 16.2% | 7.5% |

The segment net sales increases in fiscal 2005 and fiscal 2004 from the prior fiscal years resulted from comparative store sales increases of 2.9% in fiscal 2005 and 3.9% in fiscal 2004, in addition to our expansion program in the Wal-Mart Stores segment. We believe that comparative store sales in 2005 increased at a slower rate than 2004 due to a softer economy and because our customers have been impacted by higher fuel and utility costs. Our expansion programs consist of opening new units, converting Discount Stores to Supercenters, relocations that result in more square footage, as well as expansions of existing stores. Segment expansion during fiscal 2005 included the opening of 36 Discount Stores, 21 Neighborhood Markets and 242 Supercenters (including the conversion and/or relocation of 159 existing Discount Stores into Supercenters). Two Discount Stores closed in fiscal 2005. During fiscal 2005, our total expansion program added approximately 36 million of store square footage, an 8.6% increase. Segment expansion during fiscal 2004 included the opening of 41 Discount Stores, 15 Neighborhood Markets and 213 Supercenters (including the conversion and/or relocation of 130 existing Discount Stores into Supercenters). One Discount Store closed in fiscal 2004. During fiscal 2004, our total expansion program added approximately 34 million, or 8.8%, of store square footage.

While our fiscal 2005 segment operating income as a percentage of segment net sales was unchanged from fiscal 2004, segment gross margin and operating expenses as a percent of sales were each up 0.4% for the year. Our gross margin improvement can be primarily attributed to our global sourcing effort and reductions in markdowns and shrinkage as a percentage of segment net sales for fiscal 2005 when compared to fiscal 2004. The segment's operating expenses in fiscal 2005 as a percentage of segment net sales were higher than fiscal 2004 primarily due to expense pressures from Associate wages and accident costs. Wages primarily increased due to our new job classification and pay structure, which was implemented in the second quarter of fiscal 2005.

The fiscal 2004 decrease in segment operating income as a percentage of segment net sales compared with fiscal 2003 resulted from a 0.4% increase in segment operating expenses, which was partially offset by a 0.3% increase in gross margin for the segment when compared with fiscal 2003. The gross margin improvement was driven primarily by a favorable shift in the mix of products sold and our global sourcing efforts, despite increased apparel markdowns in the second half of the year. Segment operating expenses in fiscal 2004 as a percentage of segment net sales were higher than fiscal 2003 primarily due to increased insurance and advertising costs.

***SAM'S CLUB Segment***

| Fiscal Year | Segment Net Sales Increase from Prior Fiscal Year | Segment Operating Income (in millions) | Segment Operating Income Increase from Prior Fiscal Year | Operating Income as a Percentage of Segment Sales |
|---|---|---|---|---|
| **2005** | **7.5%** | **$1,280** | **13.7%** | **3.4%** |
| 2004 | 8.9% | 1,126 | 10.1% | 3.3% |
| 2003 | 7.8% | 1,023 | 0.0% | 3.2% |

Growth in net sales for the SAM'S CLUB segment in fiscal 2005 and fiscal 2004 resulted from comparative club sales increases of 5.8% in fiscal 2005 and 5.3% in fiscal 2004, along with our expansion program. Comparative club sales in 2005 increased at a higher rate than in 2004 primarily as the result of continued focus on small business members, along with improved sales in fresh and specialty categories, including fuel. Segment expansion consisted of the opening of 13 new clubs in both fiscal 2005 and fiscal 2004. Our total expansion program added approximately 3 million of additional club square footage, or 3.7%, in fiscal 2005 and approximately 2 million, or 3.6%, of additional club square footage in fiscal 2004.

Segment operating income as a percentage of segment net sales increased slightly in fiscal 2005 when compared to fiscal 2004. The increase is due to an improvement in gross margin, partially offset by an increase in operating expenses as a percentage of segment net sales and the impact of the adoption of EITF 02-16 in fiscal 2004. The improvement in gross margin is primarily a result of strong sales in higher margin categories. Operating expenses as a percentage of segment net sales increased due primarily to higher wage costs resulting from our new job classification and pay structure, which was implemented in the second quarter of fiscal 2005. The adoption of EITF 02-16 resulted in a decrease to the segment's operating income in fiscal 2004 of $44 million.

Segment operating income as a percentage of segment net sales increased slightly in fiscal 2004 when compared to fiscal 2003, due to a reduction in operating expenses resulting from working more closely with the Wal-Mart Stores segment.

***International Segment***

| Fiscal Year | Segment Net Sales Increase from Prior Fiscal Year | Segment Operating Income (in millions) | Segment Operating Income Increase from Prior Fiscal Year | Operating Income as a Percentage of Segment Sales |
|---|---|---|---|---|
| **2005** | **18.3%** | **$2,988** | **26.1%** | **5.3%** |
| 2004 | 16.6% | 2,370 | 18.6% | 5.0% |
| 2003 | 15.0% | 1,998 | 57.2% | 4.9% |

Our International segment is comprised of wholly owned operations in Argentina, Canada, Germany, South Korea, Puerto Rico and the United Kingdom, the operations of joint ventures in China and operations of majority-owned subsidiaries in Brazil and Mexico.

The fiscal 2005 increase in the International segment's net sales primarily resulted from improved operating results, our international expansion program and the impact of foreign currency exchange rate changes. In fiscal 2005, the International segment opened 232 units, net of relocations and closings, which added 18 million, or 15.6%, of additional unit square footage. This includes the acquisition of Bompreço S.A. Supermercados do Nordeste ("Bompreço") in Brazil, which added 118 stores and 7.5 million square feet in February 2004. Additionally, the impact of changes in foreign currency exchange rates favorably affected the translation of International segment sales into U.S. dollars by an aggregate of $3.2 billion in fiscal 2005.

The fiscal 2004 increase in International net sales primarily resulted from both improved operating results and our international expansion program. In fiscal 2004, the International segment opened 83 units, net of relocations and closings, which added 9 million, or 8.5%, of additional unit square footage. Additionally, the impact of changes in foreign currency exchange rates favorably affected the translation of International segment sales into U.S. dollars by an aggregate of approximately $2.0 billion in fiscal 2004.

Fiscal 2005 sales at our United Kingdom subsidiary, ASDA, were 46.2% of the International segment net sales. Sales for ASDA included in our consolidated income statement during fiscal 2005, 2004, and 2003 were $26.0 billion, $21.7 billion, and $18.1 billion, respectively.

The fiscal 2005 increase in segment operating income as a percentage of segment sales compared with fiscal 2004 resulted primarily from a 0.3% improvement in gross margin. The improvement in gross margin was due to a favorable shift in the mix of products sold toward general merchandise categories which carry a higher margin. Fiscal 2005 operating income includes a favorable impact of $150 million from changes in foreign currency exchange rates.

The fiscal 2004 increase in segment operating income as a percentage of segment net sales compared with fiscal 2003 resulted from a 0.4% improvement in gross margin offset by increases in operating expenses primarily due to the adoption of EITF 02-16. The improvement in gross margin was due to an overall increase as a percentage of the segment's net sales in general merchandise sales which carry a higher margin. The International segment's operating income in fiscal 2004 included a favorable impact of $81 million from changes in foreign currency exchange rates.

Our financial results from our foreign operations could be affected by factors such as changes in foreign currency exchange rates, weak economic conditions, changes in tax law and government regulations in the foreign markets in which we operate. We minimize exposure to the risk of devaluation of foreign currencies by operating in local currencies.

## Liquidity and Capital Resources

### *Overview*

Cash flows provided by operating activities of continuing operations provide us with a significant source of liquidity. Our cash flows from operating activities of continuing operations were $15.0 billion in fiscal 2005, compared with $15.9 billion in fiscal 2004. The decrease in cash flows provided by operating activities of continuing operations is primarily attributable to differences in the timing of payroll, income and other taxes, supplier payments and the timing of the collection of receivables in fiscal 2005 compared with fiscal 2004.

Operating cash flows provided by continuing operations increased during fiscal 2004 compared with fiscal 2003 primarily due to improved operations and inventory management, accounts payable growing at a faster rate than inventories and the timing of payroll and the collection of receivables.

In fiscal 2005, we paid dividends of $2.2 billion, made $12.9 billion in capital expenditures, paid $4.5 billion to repurchase shares of our common stock, received $5.8 billion from the issuance of long-term debt and repaid $2.1 billion of long-term debt.

### *Working Capital*

Current liabilities exceeded current assets at January 31, 2005, by $4.4 billion, an increase of $978 million from January 31, 2004. Our ratio of current assets to current liabilities was 0.9 to 1 at January 31, 2005 and 2004. At January 31, 2005, we had total assets of $120.2 billion compared with total assets of $105.4 billion at January 31, 2004.

### *Company Share Repurchase Program*

In September 2004, our Board of Directors approved a new $10.0 billion share repurchase program, separate from and replacing the previous $7.0 billion program authorized in January 2004. Through January 31, 2005, we have repurchased $337 million of shares under the $10.0 billion share repurchase program. At January 31, 2005, approximately $9.7 billion of additional shares may be repurchased under the current authorization. There is no expiration date governing the period over which we can make our share repurchases. Under our share repurchase programs, repurchased shares are constructively retired and returned to unissued status.

Total fiscal 2005 share repurchases under our share repurchase programs were $4.5 billion. During fiscal 2004, we repurchased $5.0 billion of shares.

We consider several factors in determining when to make share repurchases, including among other things, our current cash needs, our cost of borrowing, and the market price of the stock. The increased authorization approved in September 2004, in part, contemplates possible repurchases of our shares that may become available for purchase as a result of the Standard & Poors ("S&P") Index float adjustment implemented in March and September of 2005. Under the float adjustment, share counts used to determine the S&P indices will reflect only those shares that are available to investors, not all outstanding shares. The float adjustment will exclude shares closely held by control groups. As a result our relative weight in the S&P indices will decline as the S&P indices are adjusted in March and September of 2005. We expect that such adjustments in the S&P indices will cause investment funds that base their portfolio allocations on S&P indices to sell a portion of the shares of the Company they hold in order to rebalance their funds based on the new S&P index weightings.

### *Common Stock Dividends*

We paid dividends totaling approximately $1.6 billion or $0.36 per share in fiscal 2004. In March 2004, our Board of Directors authorized a 44% increase in our annual dividend to $0.52 per share. As a result, we paid $2.2 billion in dividends in fiscal 2005. We have increased our dividend every year since the first dividend was declared in March 1974.

On March 3, 2005, the Company's Board of Directors approved an increase in annual dividends to $0.60 per share. The annual dividend will be paid in four quarterly installments on April 4, 2005, June 6, 2005, September 6, 2005, and January 3, 2006 to holders of record on March 18, May 20, August 19 and December 16, 2005, respectively.

### *Contractual Obligations and Other Commercial Commitments*

The following table sets forth certain information concerning our obligations and commitments to make contractual future payments, such as debt and lease agreements, and contingent commitments:

| *(in millions)* | Payments due during fiscal years ending January 31, Total | 2006 | 2007-2008 | 2009-2010 | Thereafter |
|---|---|---|---|---|---|
| Recorded Contractual Obligations | | | | | |
| Long-term debt | $23,846 | $ 3,759 | $ 4,972 | $ 5,811 | $ 9,304 |
| Commercial paper | 3,812 | 3,812 | — | — | — |
| Capital lease obligations | 5,720 | 521 | 1,019 | 958 | 3,222 |
| Unrecorded Contractual Obligations: | | | | | |
| Non-cancelable operating leases | 9,072 | 730 | 1,326 | 1,108 | 5,908 |
| Interest on long-term debt | 10,701 | 1,107 | 1,912 | 1,653 | 6,029 |
| Undrawn lines of credit | 4,696 | 1,946 | — | 2,750 | — |
| Trade letters of credit | 2,613 | 2,613 | — | — | — |
| Standby letters of credit | 2,026 | 2,002 | 24 | — | — |
| Purchase obligations | 28,472 | 12,461 | 13,717 | 2,280 | 14 |
| Total commercial commitments | $90,958 | $28,951 | $22,970 | $14,560 | $ 24,477 |

Purchase obligations include all legally binding contracts such as firm commitments for inventory purchases, utility purchases, as well as capital expenditures, software acquisition/license commitments and legally binding service contracts. Purchase orders for the purchase of inventory and other services are not included in the table above. Purchase orders represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

In addition to the amounts discussed and presented above, the Company has made certain guarantees as discussed below for which the timing of payment, if any, is unknown.

In connection with the expansion of our distribution network in Canada, we have guaranteed specific obligations of a third-party logistics provider. In the unlikely event this provider fails to perform its financial obligations regarding certain Wal-Mart-related projects, we would be obligated to pay an amount of up to $118 million. These agreements cover periods of up to 10 years.

In connection with certain debt financing, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2005, the aggregate termination payment was $113 million. These arrangements expire in fiscal 2011 and fiscal 2019.

In connection with the development of our grocery distribution network in the United States, we have agreements with third parties which would require us to purchase or assume the leases on certain unique equipment in the event the agreements are terminated. These agreements, which can be terminated by either party at will, cover up to a five-year period and obligate the Company to pay up to approximately $163 million upon termination of some or all of these agreements.

There are no recourse provisions which would enable us to recover from third parties any amounts paid under the above guarantees. No liability for these guarantees has been recorded in our financial statements.

The Company has entered into lease commitments for land and buildings for 46 future locations. These lease commitments with real estate developers provide for minimum rentals ranging from 5-30 years, which, if consummated based on current cost estimates, will approximate $30 million annually over the lease terms.

### *Capital Resources*

During fiscal 2005, we sold $5.8 billion of notes. The proceeds from the sale of these notes were used to repay commercial paper and for other general corporate purposes.

At January 31, 2005 and 2004, the ratio of our debt to our total capitalization was 39% and 38%, respectively. Our objective is to maintain a debt to total capitalization ratio averaging approximately 40%.

Management believes that cash flows from operations and proceeds from the sale of commercial paper will be sufficient to finance any seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate funding any shortfall in these expenditures with a combination of commercial paper and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit rating and favorable experiences in the debt market in the recent past. At January 31, 2005, S&P, Moody's Investors Services, Inc. and Fitch Ratings rated our commercial paper A-1 +, P-1 and F1 + and our long-term debt AA, Aa2 and AA, respectively.

### *Future Expansion*

Capital expenditures for fiscal 2006 are expected to be approximately $14 billion, including additions of capital leases. These fiscal 2006 expenditures will include the construction of 40 to 45 new Discount Stores, 240 to 250 new Supercenters (with relocations or expansions accounting for approximately 160 of those Supercenters), 25 to 30 new Neighborhood Markets, 30 to 40 new SAM'S CLUBs and 155 to 165 new units in our International segment (with relocations or expansions accounting for approximately 30 of these units). We plan to finance this expansion primarily out of cash flows from operations and with the issuance of commercial paper and long-term debt.

### *Market Risk*

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates and changes in foreign exchange rates. In prior years, we presented our market risk information in tabular format. We have changed the presentation of this information to disclose a sensitivity analysis, because we believe it provides a more meaningful representation of our market risks.

The analysis presented for each of our market risk sensitive instruments is based on a 10% change in interest or foreign currency exchange rates. These changes are hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. As the hypothetical figures indicate, changes in fair value based on the assumed change in rates generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The effect of a variation in a particular assumption is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

At January 31, 2005 and 2004, we had $23.8 billion and $20.0 billion, respectively, of long-term debt outstanding. Our weighted average effective interest rate on long-term debt, after considering the effect of interest rate swaps, was 4.08% and 3.97% at January 31, 2005 and 2004, respectively. A hypothetical 10% increase in interest rates in effect at January 31, 2005 and 2004, would have increased annual interest expense on borrowings outstanding at those dates by $25 million and $10 million, respectively.

We enter into interest rate swaps to minimize the risks and costs associated with financing activities, as well as to maintain an appropriate mix of fixed- and floating-rate debt. Our preference is to maintain approximately 50% of our debt portfolio, including interest rate swaps, in floating-rate debt. The swap agreements are contracts to exchange fixed- or variable-rates for variable- or fixed-interest rate payments periodically over the life of the instruments. The aggregate fair value of these swaps was a gain of approximately $471 million and $681 million at January 31, 2005 and 2004, respectively. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2005, would result in a (loss) or gain in value of the swaps of ($123 million) or $126 million, respectively. A hypothetical increase (or decrease) of 10% in interest rates from the level in effect at January 31, 2004, would result in a (loss) or gain in value of the swaps of ($75 million) or $81 million, respectively.

We hold currency swaps to hedge the foreign currency exchange component of our net investments in the United Kingdom and Japan. In addition, we hold a cross-currency swap which hedges the foreign currency risk of debt denominated in currencies other than the local currency. The aggregate fair value of these swaps at January 31, 2005 and 2004, was a loss of $169 million and $71 million, respectively. A hypothetical 10% increase (or decrease) in the foreign currency exchange rates underlying these swaps from the market rate would result in a (loss) or gain in the value of the swaps of ($90 million) and $71 million at January 31, 2005, and ($83 million) and $65 million at January 31, 2004. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect at January 31, 2005 and 2004, would have an insignificant impact on the value of the swaps.

We have designated debt of approximately £2.0 billion and £1.0 billion as of January 31, 2005 and 2004, respectively, as a hedge of our net investment in the United Kingdom. At January 31, 2005, a hypothetical 10% increase (or decrease) in value of the U.S. Dollar relative to the British Pound would result in a gain (or loss) in the value of the debt of $380 million. At January 31, 2004, a hypothetical 10% increase (or decrease) in value of the U.S. Dollar relative to the British Pound would result in a gain (or loss) in the value of the debt of $183 million.

## Summary of Critical Accounting Policies

Management strives to report the financial results of the Company in a clear and understandable manner, even though in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing our consolidated financial statements, we follow accounting principles generally accepted in the United States. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews its accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our more significant accounting policies and how they are applied in preparation of the financial statements.

***Inventories***

We value our inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out ("LIFO") method for substantially all merchandise inventories in the United States, except SAM'S CLUB merchandise, which is based on average cost using the LIFO method. Inventories for international operations are primarily valued by the retail method of accounting and are stated using the first-in, first-out ("FIFO") method.

Under the retail method, inventory is stated at cost, which is determined by applying a cost-to-retail ratio to each merchandise grouping's retail value. The cost-to-retail ratio is based on the fiscal-year purchase activity for each store location. The retail method requires Management to make certain judgments and estimates that may significantly impact the ending inventory valuation at cost as well as the amount of gross margin recognized. Judgments made include the recording of markdowns used to sell through inventory and shrinkage. Markdowns designated for clearance activity are recorded at the time of the decision rather than at the point of sale, when Management determines the salability of inventory has diminished. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences, age of merchandise, as well as seasonal and fashion trends. Changes in weather patterns and customer preferences related to fashion trends could cause material changes in the amount and timing of mark-downs from year to year.

When necessary, the Company records a LIFO provision each quarter for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices except for grocery items, for which we use a consumer price index. At January 31, 2005 and 2004, our inventories valued at LIFO approximate those inventories if they were valued at FIFO.

The Company provides for estimated inventory losses ("shrinkage") between physical inventory counts on the basis of a percentage of sales. The provision is adjusted annually to reflect the historical trend of the actual physical inventory count results. Historically, shrinkage has not been volatile.

***Impairment of Assets***

We evaluate long-lived assets other than goodwill for indicators of impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and our operational performance, such as operating income and cash flows. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. These factors could cause Management to conclude that impairment indicators exist and require that impairment tests be performed, which could result in Management determining that the value of long-lived assets is impaired, resulting in a writedown of the long-lived assets.

Goodwill is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of certain goodwill may be impaired. This evaluation requires Management to make judgments relating to future cash flows, growth rates, economic and market conditions. These evaluations are based on discounted cash flows that incorporate the impact of existing Company businesses. Historically, the Company has generated sufficient returns to recover the cost of goodwill and other intangible assets. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted.

***Income Taxes***

The determination of our provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be successfully challenged. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

***Self-Insurance***

We use a combination of insurance, self-insured retention and self-insurance for a number of risks including workers' compensation, general liability, vehicle liability and the Company's portion of employee-related health care benefits. Liabilities associated with the risks that we retain are estimated in part by considering historical claims experience, including frequency, severity, demographic factors, and other assumptions. In calculating our liability, we analyze our historical trends, including loss development, and apply appropriate loss-development factors to the incurred costs associated with the claims made against our self-insured program. The estimated accruals for these liabilities could be significantly affected if future occurrences or loss development differ from these assumptions. For example, for workers' compensation and liability, a 1% increase or decrease to the assumptions for claims costs and loss development factors would increase or decrease our self-insurance accrual by $21 million and $53 million, respectively. A 1% increase or decrease in employee-related health care costs would increase or decrease our self-insured employee health care expense by $16 million.

For a listing of our significant accounting policies, please see Note 1 to our consolidated financial statements that appear after this discussion.

### New Accounting Pronouncement

On February 1, 2003, the Company adopted the expense recognition provisions of Statement of Financial Accounting Standards No. 123, " Accounting and Disclosure of Stock-Based Compensation" ("SFAS 123"). Under SFAS 123, compensation expense is recognized based on the fair value of stock options granted. Upon the adoption of SFAS 123, we retroactively restated the results of our operations for the accounting change. Following the provisions of SFAS 123, the consolidated statements of income for fiscal 2005, 2004 and 2003 include $122 million, $102 million and $84 million, respectively, of after-tax stock option expense, which is approximately $0.03 per share in fiscal year 2005 and $0.02 per share for fiscal years 2004 and 2003. In December, 2004, the Financial Accounting Standards Board issued a revision of SFAS 123 ("SFAS 123(R)"). We adopted the provisions of SFAS 123(R) upon its release. Prior to the adoption of SFAS 123(R), we used the Black-Scholes-Merton formula to estimate the value of stock options granted to Associates. We continue to use this acceptable option valuation model following our adoption of SFAS 123(R). SFAS 123(R) requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previously effective accounting principles generally accepted in the United States. The adoption of SFAS 123(R) did not have a material impact on our results of operations, financial position or cash flows.

### Forward-Looking Statements

This Annual Report contains statements that Wal-Mart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements include statements under the caption "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations with respect to our capital expenditures, our ability to fund certain cash flow shortfalls by the sale of commercial paper and long-term debt securities, our ability to sell our long-term securities and our anticipated reasons for repurchasing shares of our common stock. These statements are identified by the use of the words "anticipate," "contemplate," "expect" and "plan," and other, similar words or phrases. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. These statements discuss, among other things, expected growth, future revenues, future cash flows, future capital expenditures, future performance and the anticipation and expectations of Wal-Mart and its Management as to future occurrences and trends. These forward-looking statements are subject to certain factors, in the United States and internationally, that could affect our financial performance, business strategy, plans, goals and objectives. Those factors include the cost of goods, labor costs, the cost of fuel and electricity, the cost of healthcare, competitive pressures, inflation, accident-related costs, consumer buying patterns and debt levels, weather patterns, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, changes in tax law, the outcome of legal proceedings to which we are a party, unemployment levels, interest rate fluctuations, changes in employment legislation and other capital market, economic and geo-political conditions. Moreover, we typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of the seasonal buying patterns. Those buying patterns are difficult to forecast with certainty. The foregoing list of factors that may affect our performance is not exclusive. Other factors and unanticipated events could adversely affect our business operations and financial performance. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in other of our filings with the SEC, including our Annual Report on Form 10-K. We filed our Annual Report on Form 10-K for the year ended January 31, 2005, with the SEC on or about March 31, 2005. Actual results may materially differ from anticipated results described or implied in these forward-looking statements as a result of changes in facts, assumptions not being realized or other circumstances. You are urged to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Annual Report are made only as of the date of this report, and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

## Consolidated Statements of Income

WAL-MART

*(Amounts in millions except per share data)*

| Fiscal years ended January 31, | **2005** | 2004 | 2003 |
|---|---|---|---|
| **Revenues:** | | | |
| Net sales | **$285,222** | $256,329 | $229,616 |
| Other income, net | **2,767** | 2,352 | 1,961 |
| | **287,989** | 258,681 | 231,577 |
| **Costs and expenses:** | | | |
| Cost of sales | **219,793** | 198,747 | 178,299 |
| Operating, selling, general and administrative expenses | **51,105** | 44,909 | 39,983 |
| **Operating income** | **17,091** | 15,025 | 13,295 |
| **Interest:** | | | |
| Debt | **934** | 729 | 799 |
| Capital leases | **253** | 267 | 260 |
| Interest income | **(201)** | (164) | (132) |
| Interest, net | **986** | 832 | 927 |
| **Income from continuing operations before income taxes and minority interest** | **16,105** | 14,193 | 12,368 |
| **Provision for income taxes:** | | | |
| Current | **5,326** | 4,941 | 3,883 |
| Deferred | **263** | 177 | 474 |
| | **5,589** | 5,118 | 4,357 |
| **Income from continuing operations before minority interest** | **10,516** | 9,075 | 8,011 |
| **Minority interest** | **(249)** | (214) | (193) |
| **Income from continuing operations** | **10,267** | 8,861 | 7,818 |
| **Income from discontinued operation, net of tax** | — | 193 | 137 |
| **Net income** | **$ 10,267** | $ 9,054 | $ 7,955 |
| **Basic net income per common share:** | | | |
| Income from continuing operations | **$ 2.41** | $ 2.03 | $ 1.77 |
| Income from discontinued operation | — | 0.05 | 0.03 |
| **Basic net income per common share** | **$ 2.41** | $ 2.08 | $ 1.80 |
| **Diluted net income per common share:** | | | |
| Income from continuing operations | **$ 2.41** | $ 2.03 | $ 1.76 |
| Income from discontinued operation | — | 0.04 | 0.03 |
| **Diluted net income per common share** | **$ 2.41** | $ 2.07 | $ 1.79 |
| **Weighted-average number of common shares:** | | | |
| Basic | **4,259** | 4,363 | 4,430 |
| Diluted | **4,266** | 4,373 | 4,446 |
| **Dividends per common share** | **$ 0.52** | $ 0.36 | $ 0.30 |

*See accompanying notes.*

## Consolidated Balance Sheets

WAL-MART

*(Amounts in millions except per share data)*

| January 31, | **2005** | 2004 |
|---|---|---|
| **Assets** | | |
| *Current assets:* | | |
| Cash and cash equivalents | **$ 5,488** | $ 5,199 |
| Receivables | **1,715** | 1,254 |
| Inventories | **29,447** | 26,612 |
| Prepaid expenses and other | **1,841** | 1,356 |
| Total current assets | **38,491** | 34,421 |
| *Property and equipment, at cost:* | | |
| Land | **14,472** | 12,699 |
| Buildings and improvements | **46,582** | 40,192 |
| Fixtures and equipment | **21,461** | 17,934 |
| Transportation equipment | **1,530** | 1,269 |
| Property and equipment, at cost | **84,045** | 72,094 |
| Less accumulated depreciation | **18,637** | 15,684 |
| Property and equipment, net | **65,408** | 56,410 |
| *Property under capital lease:* | | |
| Property under capital lease | **4,997** | 4,286 |
| Less accumulated amortization | **1,838** | 1,673 |
| Property under capital lease, net | **3,159** | 2,613 |
| Goodwill | **10,803** | 9,882 |
| Other assets and deferred charges | **2,362** | 2,079 |
| **Total assets** | **$120,223** | $105,405 |
| **Liabilities and shareholders' equity** | | |
| *Current liabilities:* | | |
| Commercial paper | **$ 3,812** | $ 3,267 |
| Accounts payable | **21,671** | 19,425 |
| Accrued liabilities | **12,155** | 10,671 |
| Accrued income taxes | **1,281** | 1,377 |
| Long-term debt due within one year | **3,759** | 2,904 |
| Obligations under capital leases due within one year | **210** | 196 |
| Total current liabilities | **42,888** | 37,840 |
| Long-term debt | **20,087** | 17,102 |
| Long-term obligations under capital leases | **3,582** | 2,997 |
| Deferred income taxes and other | **2,947** | 2,359 |
| Minority interest | **1,323** | 1,484 |
| Commitments and contingencies | | |
| *Shareholders' equity:* | | |
| Preferred stock ($0.10 par value; 100 shares authorized, none issued) | **—** | — |
| Common stock ($0.10 par value; 11,000 shares authorized, 4,234 and 4,311 issued and outstanding in 2005 and 2004, respectively) | **423** | 431 |
| Capital in excess of par value | **2,425** | 2,135 |
| Other accumulated comprehensive income | **2,694** | 851 |
| Retained earnings | **43,854** | 40,206 |
| Total shareholders' equity | **49,396** | 43,623 |
| **Total liabilities and shareholders' equity** | **$120,223** | $105,405 |

*See accompanying notes.*

## Consolidated Statements of Shareholders' Equity

WAL-MART

| *(Amounts in millions except per share data)* | Number of Shares | Common Stock | Capital in Excess of Par Value | Other Accumulated Comprehensive Income | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance – January 31, 2002** | 4,453 | $ 445 | $ 1,838 | $ (1,268) | $34,177 | $35,192 |
| Comprehensive income: | | | | | | |
| Net income from continuing operations | | | | | 7,818 | 7,818 |
| Net income from discontinued operation | | | | | 137 | 137 |
| Other accumulated comprehensive income: | | | | | | |
| Foreign currency translation | | | | 1,113 | | 1,113 |
| Net unrealized depreciation of derivatives | | | | (148) | | (148) |
| Minimum pension liability | | | | (206) | | (206) |
| Total comprehensive income | | | | | | 8,714 |
| Cash dividends ($0.30 per share) | | | | | (1,328) | (1,328) |
| Purchase of Company stock | (63) | (5) | (150) | | (3,228) | (3,383) |
| Stock options exercised and other | 5 | | 266 | | | 266 |
| **Balance – January 31, 2003** | 4,395 | 440 | 1,954 | (509) | 37,576 | 39,461 |
| Comprehensive income: | | | | | | |
| Net income from continuing operations | | | | | 8,861 | 8,861 |
| Net income from discontinued operation | | | | | 193 | 193 |
| Other accumulated comprehensive income: | | | | | | |
| Foreign currency translation | | | | 1,685 | | 1,685 |
| Net unrealized depreciation of derivatives | | | | (341) | | (341) |
| Minimum pension liability | | | | 16 | | 16 |
| Total comprehensive income | | | | | | 10,414 |
| Cash dividends ($0.36 per share) | | | | | (1,569) | (1,569) |
| Purchase of Company stock | (92) | (9) | (182) | | (4,855) | (5,046) |
| Stock options exercised and other | 8 | | 363 | | | 363 |
| **Balance – January 31, 2004** | **4,311** | **431** | **2,135** | **851** | **40,206** | **43,623** |
| **Comprehensive income:** | | | | | | |
| **Net income from continuing operations** | | | | | **10,267** | **10,267** |
| **Other accumulated comprehensive income:** | | | | | | |
| **Foreign currency translation** | | | | **2,130** | | **2,130** |
| **Net unrealized depreciation of derivatives** | | | | **(194)** | | **(194)** |
| **Minimum pension liability** | | | | **(93)** | | **(93)** |
| **Total comprehensive income** | | | | | | **12,110** |
| **Cash dividends ($0.52 per share)** | | | | | **(2,214)** | **(2,214)** |
| **Purchase of Company stock** | **(81)** | **(8)** | **(136)** | | **(4,405)** | **(4,549)** |
| **Stock options exercised and other** | **4** | | **426** | | | **426** |
| **Balance – January 31, 2005** | **4,234** | **$ 423** | **$ 2,425** | **$ 2,694** | **$43,854** | **$49,396** |

*See accompanying notes.*

## Consolidated Statements of Cash Flows

WAL-MART

*(Amounts in millions)*

| Fiscal years ended January 31, | **2005** | 2004 | 2003 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income from continuing operations | **$ 10,267** | $ 8,861 | $ 7,818 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **4,405** | 3,852 | 3,364 |
| Deferred income taxes | **263** | 177 | 474 |
| Other operating activities | **378** | 173 | 685 |
| Changes in certain assets and liabilities, net of effects of acquisitions: | | | |
| Decrease (increase) in accounts receivable | **(304)** | 373 | (159) |
| Increase in inventories | **(2,635)** | (1,973) | (2,219) |
| Increase in accounts payable | **1,694** | 2,587 | 1,748 |
| Increase in accrued liabilities | **976** | 1,896 | 1,212 |
| Net cash provided by operating activities of continuing operations | **15,044** | 15,946 | 12,923 |
| Net cash provided by operating activities of discontinued operation | **—** | 50 | 82 |
| Net cash provided by operating activities | **1 5,044** | 15,996 | 13,005 |
| **Cash flows from investing activities** | | | |
| Payments for property and equipment | **(12,893)** | (10,308) | (9,245) |
| Investment in international operations | **(315)** | (38) | (749) |
| Proceeds from the disposal of fixed assets | **953** | 481 | 311 |
| Proceeds from the sale of McLane | **—** | 1,500 | — |
| Other investing activities | **(96)** | 78 | (73) |
| Net cash used in investing activities of continuing operations | **(12,351)** | (8,287) | (9,756) |
| Net cash used in investing activities of discontinued operation | **—** | (25) | (83) |
| Net cash used in investing activities | **(12,351)** | (8,312) | (9,839) |
| **Cash flows from financing activities** | | | |
| Increase in commercial paper | **544** | 688 | 1,836 |
| Proceeds from issuance of long-term debt | **5,832** | 4,099 | 2,044 |
| Purchase of Company stock | **(4,549)** | (5,046) | (3,383) |
| Dividends paid | **(2,214)** | (1,569) | (1,328) |
| Payment of long-term debt | **(2,131)** | (3,541) | (1,261) |
| Payment of capital lease obligations | **(204)** | (305) | (216) |
| Other financing activities | **113** | 111 | (62) |
| Net cash used in financing activities | **(2,609)** | (5,563) | (2,370) |
| Effect of exchange rate changes on cash | **205** | 320 | (199) |
| Net increase in cash and cash equivalents | **289** | 2,441 | 597 |
| Cash and cash equivalents at beginning of year [(1)] | **5,199** | 2,758 | 2,161 |
| Cash and cash equivalents at end of year | **$ 5,488** | $ 5,199 | $ 2,758 |
| **Supplemental disclosure of cash flow information** | | | |
| Income tax paid | **$ 5,593** | $ 4,358 | $ 4,539 |
| Interest paid | **1,163** | 1,024 | 1,085 |
| Capital lease obligations incurred | **377** | 252 | 381 |

(1) *Includes cash and cash equivalents of discontinued operation of $22 million for 2003.*

*See accompanying notes.*

**Notes to Consolidated Financial Statements**

WAL-MART

**1 Summary of Significant Accounting Policies**

***Consolidation***

The consolidated financial statements include the accounts of Wal-Mart Stores, Inc. and its subsidiaries (“Wal-Mart” or the “Company”). Significant intercompany transactions have been eliminated in consolidation. Investments in which the Company has a 20 percent to 50 percent voting interest and where the Company exercises significant influence over the investee are accounted for using the equity method.

The Company’s operations in Argentina, Brazil, China, Germany, Mexico, South Korea and the United Kingdom are consolidated using a December 31 fiscal year-end, generally due to statutory reporting requirements. There were no significant intervening events which materially affected the financial statements. The Company’s operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year-end.

***Cash and Cash Equivalents***

The Company considers investments with a maturity of three months or less when purchased to be cash equivalents. The majority of payments due from banks for third-party credit card, debit card and electronic benefit transactions (“EBT”) process within 24-48 hours, except for transactions occurring on a Friday, which are generally processed the following Monday. All credit card, debit card and EBT transactions that process in less than seven days are classified as cash and cash equivalents. Amounts due from banks for these transactions classified as cash totaled $549 million and $866 million at January 31, 2005 and 2004, respectively.

***Receivables***

Accounts receivable consist primarily of receivables from insurance companies resulting from our pharmacy sales, receivables from suppliers for marketing or incentive programs and receivables from real estate transactions. Additionally, amounts due from banks for customer credit card, debit card and EBT transactions that take in excess of seven days to process are classified as accounts receivable.

***Inventories***

The Company values inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out (“LIFO”) method for substantially all merchandise inventories in the United States, except SAM’S CLUB merchandise, which is based on average cost using the LIFO method. Inventories of foreign operations are primarily valued by the retail method of accounting, using the first-in, first-out (“FIFO”) method. At January 31, 2005 and 2004, our inventories valued at LIFO approximate those inventories if they were valued at FIFO.

***Financial Instruments***

The Company uses derivative financial instruments for purposes other than trading to manage its exposure to interest and foreign exchange rates, as well as to maintain an appropriate mix of fixed-and floating-rate debt. Contract terms of a hedge instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of an instrument’s change in fair value will be immediately recognized in earnings. Instruments that do not meet the criteria for hedge accounting or contracts for which the Company has not elected hedge accounting, are marked to fair value with unrealized gains or losses reported in earnings.

***Capitalized Interest***

Interest costs capitalized on construction projects were $120 million, $144 million, and $124 million in fiscal 2005, 2004, and 2003, respectively.

***Long-lived Assets***

Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The evaluation is done at the lowest level of cash flows, which is typically at the individual store level. Cash flows expected to be generated by the related assets are estimated over the asset’s useful life based on updated projections. If the evaluation indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company’s current business model.

***Goodwill and Other Acquired Intangible Assets***

Goodwill is not amortized, rather it is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of certain goodwill may be impaired. Other acquired intangible assets are amortized on a straight-line basis over the periods that expected economic benefits will be provided. These evaluations are based on discounted cash flows and incorporate the impact of existing Company businesses. The analyses require significant Management judgment to evaluate the capacity of an acquired business to perform within projections. Historically, the Company has generated sufficient returns to recover the cost of the goodwill and other intangible assets.

Goodwill is recorded on the balance sheet in the operating segments as follows (in millions):

| | **January 31, 2005** | January 31, 2004 |
|---|---|---|

| | | | | |
|---|---|---|---|---|
| International | **$** | **10,498** | $ | 9,577 |
| SAM'S CLUB | | **305** | | 305 |
| Total goodwill | **$** | **10,803** | $ | 9,882 |

The change in the International segment's goodwill is primarily the result of foreign currency exchange rate fluctuations. The fiscal 2005 acquisition of Bompreço S.A. Supermercados do Nordeste also resulted in an increase to goodwill.

### *Leases*

The Company estimates the expected term of a lease by assuming the exercise of renewal options where an economic penalty exists that would preclude the abandonment of the lease at the end of the initial non-cancelable term and the exercise of such renewal is at the sole discretion of the Company. This expected term is used in the determination of whether a store lease is capital or operating and in the calculation of straight-line rent expense. Additionally, the useful life of leasehold improvements is limited by the expected lease term. If significant expenditures are made for leasehold improvements late in the expected term of a lease, judgment is applied to determine if a change in estimate has occurred or if the leasehold improvements may have a useful life that is bound by the end of the original expected lease term.

Rent abatements and escalations are considered in the calculation of minimum lease payments in the Company's capital lease tests and in determining straight-line rent expense for operating leases.

### *Foreign Currency Translation*

The assets and liabilities of all foreign subsidiaries are translated using exchange rates at the balance sheet date. The income statements of foreign subsidiaries are translated using average exchange rates. Related translation adjustments are recorded as a component of other accumulated comprehensive income.

### *Revenue Recognition*

The Company recognizes sales revenue net of estimated sales returns at the time it sells merchandise to the customer, except for layaway transactions. The Company recognizes layaway transactions when the customer satisfies all payment obligations and takes possession of the merchandise. Customer purchases of Wal-Mart and SAM'S CLUB shopping cards are not recognized until the card is redeemed and the customer purchases merchandise by using the shopping card.

### *SAM'S CLUB Membership Fee Revenue Recognition*

The Company recognizes SAM'S CLUB membership fee revenues both in the United States and internationally over the term of the membership, which is 12 months. The following table details unearned revenues, membership fees received from members and the amount of revenues recognized in earnings for each of the fiscal years 2005, 2004 and 2003 (in millions):

| Year ended January 31, | **2005** | 2004 | 2003 |
|---|---|---|---|
| Deferred membership fee revenue, beginning of year | **$ 449** | $ 437 | $ 387 |
| Membership fees received | **890** | 840 | 834 |
| Membership fee revenue recognized | **(881)** | (828) | (784) |
| Deferred membership fee revenue, end of year | **$ 458** | $ 449 | $ 437 |

SAM'S CLUB membership revenue is included in other income, net in the revenues section of the Consolidated Statements of Income.

The Company's deferred membership fee revenue is included in accrued liabilities in the Consolidated Balance Sheets. The Company's analysis of historical membership fee refunds indicates that such refunds have been nominal. Accordingly, no reserve exists for membership fee refunds at January 31, 2005 and 2004.

### *Cost of Sales*

Cost of sales includes actual product cost, change in inventory, the cost of transportation to the Company's warehouses from suppliers, the cost of transportation from the Company's warehouses to the stores and Clubs and the cost of warehousing for our SAM'S CLUB segment.

### *Payments from Suppliers*

Wal-Mart receives money from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection and advertising. Substantially all allowances are accounted for as a reduction of purchases and recognized in our Consolidated Statements of Income when the related inventory is sold.

### *Operating, Selling, General and Administrative Expenses*

Operating, selling, general and administrative expenses include all operating costs of the Company that are not related to the transportation of products from the supplier to the warehouse or from the warehouse to the store. Additionally, the cost of warehousing and occupancy for our Wal-Mart Stores segment distribution facilities are included in operating, selling, general and administrative expenses. Because we do not include the cost of our Wal-Mart Stores segment distribution facilities in cost of sales, our gross profit and gross margin may not be comparable to those of other retailers that may include all costs related to their distribution facilities in costs of sales and in the calculation of gross profit and gross margin.

### *Advertising Costs*

Advertising costs are expensed as incurred and were $1.4 billion, $966 million and $676 million in fiscal 2005, 2004 and 2003, respectively. Advertising costs consist primarily of print and television advertisements. The increase in advertising costs in 2005 and 2004 compared with 2003 is attributable to the adoption of Emerging Issues Task Force Consensus No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor" ("EITF 02-16"). Upon adoption of EITF 02-16, the Company began recognizing substantially all funds received from vendors as a reduction of inventory costs. Prior to the adoption of EITF 02-16, the Company recorded a portion of consideration received from vendors as a reduction of expenses, such as advertising.

### *Pre-opening Costs*

The costs of start-up activities, including organization costs and new store openings, are expensed as incurred.

### *Stock-based Compensation*

The Company recognizes expense for its stock-based compensation based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes-Merton option valuation model which was developed for use in estimating the fair value of exchange traded options that have no vesting restrictions and are fully transferable. Option valuation methods require the input of highly subjective assumptions, including the expected stock price volatility. Measured compensation cost is recognized ratably over the vesting period of the related stock-based compensation award.

The fair value of the Company's stock options was estimated at the date of the grant using the following assumptions:

| | **2005** | 2004 | 2003 |
|---|---|---|---|
| Dividend yield | **1.1%** | 1.0% | 0.7% |
| Volatility | **23.2%** | 32.3% | 32.1% |
| Risk-free interest rate | **3.3%** | 2.8% | 3.2% |
| Expected life in years | **5.4** | 4.5 | 4.6 |
| Weighted-average fair value of options at grant date | **$11.39** | $15.83 | $15.67 |

### *Insurance/Self-Insurance*

The Company uses a combination of insurance, self-insured retention and self-insurance for a number of risks, including workers' compensation, general liability, vehicle liability and the Company-funded portion of employee-related health care benefits. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions.

### *Depreciation and Amortization*

Depreciation and amortization for financial statement purposes are provided on the straight-line method over the estimated useful lives of the various assets. Depreciation expense, including amortization of property under capital leases for the years 2005, 2004 and 2003 was $4.3 billion, $3.7 billion and $3.2 billion, respectively. For income tax purposes, accelerated methods of depreciation are used with recognition of deferred income taxes for the resulting temporary differences. Leashold improvements are depreciated over the shorter of the estimated useful life of the asset or the remaining lease term. Estimated useful lives for financial statement purposes are as follows:

| | |
|---|---|
| Buildings and improvements | 5 – 50 years |
| Fixtures and equipment | 5 – 12 years |
| Transportation equipment | 3 – 15 years |
| Internally developed software | 3 years |

### *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

In determining the quarterly provision for income taxes, the Company uses an annual effective tax rate based on expected annual income and statutory tax rates. The effective tax rate also reflects the Company's assessment of the ultimate outcome of tax audits. Significant or unusual items are recognized in the quarter in which they occur.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. Reserves are established when, despite management's belief that the Company's tax return positions are fully supportable, management believes that certain positions may be successfully challenged. When facts and circumstances change, these reserves are adjusted through the provision for income taxes.

### *Net Income Per Common Share*

Basic net income per common share is based on the weighted-average outstanding common shares. Diluted net income per common share is based on the weighted-average outstanding shares adjusted for the dilutive effect of stock options and restricted stock grants. The diluted effect of stock options and restricted stock was 7 million, 10 million and 16 million shares in fiscal 2005, 2004 and 2003, respectively. The Company had approximately 59 million, 50 million and 41 million option shares outstanding at January 31, 2005, 2004 and 2003, respectively, which were not included in the diluted net income per share calculation because their effect would be antidilutive as the underlying option price exceeded the average market price of the stock for the period.

### *Estimates and Assumptions*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### *Reclassifications*

Certain reclassifications have been made to prior periods to conform to current presentations.

### *New Accounting Pronouncements*

As is more fully discussed in Note 7, the Company has various stock option compensation plans for its Associates. On February 1, 2003, the Company adopted the expense recognition provisions of Statement of Financial Accounting Standards No. 123, “Accounting and Disclosure of Stock-Based Compensation” (“SFAS 123”). Under SFAS 123, compensation expense is recognized based on the fair value of stock options granted. Upon the adoption of SFAS 123, we retroactively restated the results of our operations for the accounting change. Following the provisions of SFAS 123, the consolidated statements of income for fiscal 2005, 2004 and 2003 include $122 million, $102 million and $84 million, respectively, of aftertax stock option expense, which is approximately $0.03 per share in fiscal year 2005 and $0.02 per share for fiscal years 2004 and 2003. In December 2004, the Financial Accounting Standards Board issued a revision of SFAS 123 (“SFAS 123(R)”). We adopted the provisions of SFAS 123(R) upon its release. Prior to the adoption of SFAS 123(R), we used the Black-Scholes-Merton formula to estimate the value of stock options granted to Associates. We continue to use this acceptable option valuation model following our adoption of SFAS 123(R). SFAS 123(R) requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previously effective accounting principles generally accepted in the United States. The adoption of SFAS 123(R) did not have a material impact on our results of operations, financial position or cash flows.

### 2 Commercial Paper and Long-term Debt

Information on short-term borrowings and interest rates is as follows (dollars in millions):

| Fiscal year | **2005** | 2004 | 2003 |
|---|---|---|---|
| Maximum amount outstanding at any month-end | **$7,782** | $4,957 | $4,226 |
| Average daily short-term borrowings | **$4,823** | $1,498 | $1,549 |
| Weighted-average interest rate | **1.6%** | 1.1% | 1.7% |

At January 31, 2005 and 2004, short-term borrowings consisted of $3.8 billion and $3.3 billion, respectively, of commercial paper. At January 31, 2005, the Company had committed lines of $4.5 billion with 53 firms and banks, which were used to support commercial paper, and committed and informal lines of credit with various banks totaling an additional $159 million.

Long-term debt at January 31, consists of (in millions):

| Interest Rate | Due by Fiscal Year | **2005** | 2004 |
|---|---|---|---|
| 4.000 – 6.875% | Notes due 2010 | **$ 4,500** | $ 3,500 |
| 2.792 – 8.000%, LIBOR less 0.140% | Notes due 2007 | **3,164** | 2,130 |
| 4.550% – 7.250% | Notes due 2014 | **2,883** | 2,854 |
| 4.150 – 5.875%, LIBOR less 0.0425% | Notes due 2006 | **2,597** | 2,597 |
| 4.125% | Notes due 2012 | **2,000** | — |
| 5.750% – 7.550% | Notes due 2031 | **1,941** | 1,912 |
| 5.250% | Notes due 2036 | **1,883** | — |
| 4.375% | Notes due 2008 | **1,500** | 1,500 |
| 3.375% | Notes due 2009 | **1,000** | 1,000 |
| 5.006% | Notes due 2019 (1) | **500** | 500 |
| 6.200% | Notes due 2011 (1) | **500** | 500 |
| 6.750% | Notes due 2024 | **250** | 250 |
| 6.550% – 7.500% | Notes due 2005 | **—** | 1,750 |
| 8.500% | Notes due 2025 | **—** | 250 |
| | Other (2) | **1,128** | 1,263 |
| | | **$23,846** | $20,006 |

(1) *Includes put option.*

(2) *Includes adjustments to debt hedged by derivatives.*

The Company has two separate issuances of $500 million debt with embedded put options. For the first issuance, beginning June 2001, and each year thereafter, the holders of $500 million of the debt may require the Company to repurchase the debt at face value, in addition to accrued and unpaid interest. The holders of the other $500 million issuance may put the debt back to the Company at par plus accrued interest at any time. Both of these issuances have been classified as a current liability in the Consolidated Balance Sheets.

Under the Company’s most significant borrowing arrangements, the Company is not required to observe financial covenants. However, under certain lines of credit totaling $4.5 billion which were undrawn as of January 31, 2005, the Company has agreed to observe certain covenants, the most restrictive of which relates to minimum net worth levels and amounts of additional secured debt and long-term leases. The Company was not in violation of these covenants at January 31, 2005.

Long-term debt is unsecured except for $68 million, which is collateralized by property with an aggregate carrying value of approximately $171 million. Annual maturities of long-term debt during the next five years and thereafter are (in millions):

| **Fiscal Year Ended January 31,** | **Annual Maturity** |
|---|---|
| 2006 | $ 3,759 |
| 2007 | 3,400 |
| 2008 | 1,572 |
| 2009 | 1,037 |

| | | |
|---|---|---|
| 2010 | | 4,774 |
| Thereafter | | 9,304 |
| Total | $ | 23,846 |

The Company has entered into sale/leaseback transactions involving buildings while retaining title to the underlying land. These transactions were accounted for as financings and are included in long-term debt and the annual maturities schedule above. The resulting obligations are amortized over the lease terms. Future minimum lease payments during the next five years and thereafter are (in millions):

| Fiscal Year Ended January 31, | | Minimum Payments |
|---|---|---|
| 2006 | $ | 20 |
| 2007 | | 18 |
| 2008 | | 17 |
| 2009 | | 11 |
| 2010 | | 11 |
| Thereafter | | 43 |
| Total | $ | 120 |

At January 31, 2005 and 2004, the Company had trade letters of credit outstanding totaling $2.6 billion and $2.0 billion, respectively. These letters of credit were issued primarily for the purchase of inventory. At January 31, 2005 and 2004, the Company had standby letters of credit outstanding totaling $2.0 billion and $1.4 billion, respectively.

## 3 Financial Instruments

The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to interest and foreign exchange rates. Use of derivative financial instruments in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative instrument will change. In a hedging relationship, the change in the value of the derivative is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to derivatives represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral (generally cash) when appropriate. The majority of the Company's transactions are with counterparties rated "AA-" or better by nationally recognized credit rating agencies.

### *Fair Value Instruments*

The Company enters into interest rate swaps to minimize the risks and costs associated with its financing activities. Under the swap agreements, the Company pays variable-rate interest and receives fixed-rate interest payments periodically over the life of the instruments. The notional amounts are used to measure interest to be paid or received and do not represent the exposure due to credit loss. All of the Company's interest rate swaps that receive fixed interest rate payments and pay variable interest rate payments are designated as fair value hedges. As the specific terms and notional amounts of the derivative instruments exactly match those of the instruments being hedged, the derivative instruments were assumed to be perfect hedges and all changes in fair value of the hedges were recorded on the balance sheet with no net impact on the income statement.

### *Net Investment Instruments*

At January 31, 2005, the Company is party to cross-currency interest rate swaps that hedge its net investments in the United Kingdom and Japan. The agreements are contracts to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. The Company also has outstanding approximately £2.0 billion of debt that is designated as a hedge of the Company's net investment in the United Kingdom. All changes in the fair value of these instruments are recorded in other comprehensive income, offsetting the foreign currency translation adjustment that is also recorded in other comprehensive income.

### *Cash Flow Instruments*

The Company is party to a cross-currency interest rate swap to hedge the foreign currency risk of certain foreign-denominated debt. The swap is designated as a cash flow hedge of foreign currency exchange risk. The agreement is a contract to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. Changes in the foreign currency spot exchange rate result in reclassification of amounts from other accumulated comprehensive income to earnings to offset transaction gains or losses on foreign-denominated debt. The instrument matures in fiscal 2007.

The Company expects that the amount of gain or loss existing in other accumulated comprehensive income to be reclassified into earnings within the next 12 months will not be significant.

### *Fair Value of Financial Instruments*

| Instrument<br>Fiscal Year Ended January 31, (in millions) | Notional Amount | | Fair Value | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Derivative financial instruments designated for hedging: | | | | |
| Receive fixed-rate, pay floating rate interest rate swaps designated as fair value hedges | **$ 8,042** | $ 8,292 | **$ 477** | $ 697 |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges (Cross-currency notional amount: GBP 795 at 1/31/2005 and 1/31/2004) | **1,250** | 1,250 | **(14)** | 29 |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swap designated as a cash flow hedge (Cross-currency notional amount: CAD 503 at 1/31/2005 and 1/31/2004) | **325** | 325 | **(87)** | (54) |
| Receive fixed-rate, pay fixed-rate cross-currency interest rate swap designated as a net investment hedge (Cross-currency notional amount: ¥52,056 at 1/31/2005 and 1/31/2004) | **432** | 432 | **(68)** | (46) |
| Receive floating rate, pay fixed-rate interest rate swap designated as a cash flow hedge | **1,500** | 1,500 | **(5)** | (16) |
| | **$11,549** | $11,799 | **$ 303** | $ 610 |
| Non-derivative financial instruments: | | | | |
| Long-term debt | **$23,846** | $20,006 | **$25,016** | $21,349 |

Hedging instruments with a favorable fair value are recorded on the Consolidated Balance Sheets as other current assets or other assets and deferred charges, based on maturity date. Those instruments with an unfavorable fair value are recorded in accrued liabilities or deferred income taxes and other, based on maturity date.

*Cash and cash equivalents:* The carrying amount approximates fair value due to the short maturity of these instruments.

*Long-term debt:* Fair value is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

*Interest rate instruments and net investment instruments:* The fair values are estimated amounts the Company would receive or pay to terminate the agreements as of the reporting dates.

## 4 Other Accumulated Comprehensive Income

Comprehensive income is net income plus certain other items that are recorded directly to shareholder's equity. Amounts included in other accumulated comprehensive income for the Company's derivative instruments and minimum pension liability are recorded net of the related income tax effects. The following table gives further detail regarding changes in the composition of other accumulated comprehensive income during fiscal 2005, 2004 and 2003 (in millions):

| | Foreign Currency Translation | Derivative Instruments | Minimum Pension Liability | Total |
|---|---|---|---|---|
| Balance at January 31, 2002 | $ (2,238) | $ 970 | $ — | $(1,268) |
| Foreign currency translation adjustment | 1,113 | | | 1,113 |
| Change in fair value of hedge instruments | | (164) | | (164) |
| Reclassification to earnings | | 16 | | 16 |
| Subsidiary minimum pension liability | | | (206) | (206) |
| Balance at January 31, 2003 | (1,125) | 822 | (206) | (509) |
| Foreign currency translation adjustment | 1,685 | | | 1,685 |
| Change in fair value of hedge instruments | | (444) | | (444) |
| Reclassification to earnings | | 103 | | 103 |
| Subsidiary minimum pension liability | | | 16 | 16 |
| Balance at January 31, 2004 | 560 | 481 | (190) | 851 |
| Foreign currency translation adjustment | **2,130** | | | **2,130** |
| Change in fair value of hedge instruments | | **(235)** | | **(235)** |
| Reclassification to earnings | | **41** | | **41** |
| Subsidiary minimum pension liability | | | **(93)** | **(93)** |
| Balance at January 31, 2005 | **$ 2,690** | **$ 287** | **$ (283)** | **$ 2,694** |

## 5 Income Taxes

The income tax provision consists of the following (in millions):

| Fiscal years ended January 31, | 2005 | 2004 | 2003 |
|---|---|---|---|
| Current: | | | |
| Federal | **$4,116** | $ 4,039 | $3,299 |
| State and local | **640** | 333 | 229 |
| International | **570** | 569 | 355 |
| Total current tax provision | **5,326** | 4,941 | 3,883 |
| Deferred: | | | |
| Federal | **311** | 31 | 305 |
| State and local | **(71)** | 2 | 26 |
| International | **23** | 144 | 143 |
| Total deferred tax provision | **263** | 177 | 474 |
| Total provision for income taxes | **$5,589** | $ 5,118 | $4,357 |

Income from continuing operations before income taxes and minority interest is as follows (in millions):

| Fiscal years ended January 31, | 2005 | 2004 | 2003 |
|---|---|---|---|
| United States | **$13,599** | $12,075 | $10,490 |
| Outside the United States | **2,506** | 2,118 | 1,878 |
| Total income from continuing operations before income taxes and minority interest | **$16,105** | $14,193 | $12,368 |

Items that give rise to significant portions of the deferred tax accounts are as follows (in millions):

| January 31, | 2005 | 2004 |
| --- | --- | --- |
| Deferred tax liabilities | | |
| Property and equipment | **$2,045** | $1,581 |
| International, principally asset basis difference | **1,054** | 1,087 |
| Inventory | **187** | 419 |
| Capital leases | **165** | 92 |
| Other | **230** | 146 |
| Total deferred tax liabilities | **$3,681** | $3,325 |
| Deferred tax assets | | |
| Amounts accrued for financial reporting purposes not yet deductible for tax purposes | **$1,361** | $1,280 |
| International loss carryforwards | **1,460** | 1,186 |
| Deferred revenue | **15** | 140 |
| Other | **506** | 298 |
| Total deferred tax assets | **3,342** | 2,904 |
| Valuation allowance | **(526)** | (344) |
| Total deferred tax assets, net of valuation allowance | **$2,816** | $2,560 |
| Net deferred tax liabilities | **$ 865** | $ 765 |

A reconciliation of the significant differences between the effective income tax rate and the federal statutory rate on pretax income is as follows:

| Fiscal years ended January 31, | 2005 | 2004 | 2003 |
| --- | --- | --- | --- |
| Statutory tax rate | **35.00%** | 35.00% | 35.00% |
| State income taxes, net of federal income tax benefit | **2.30%** | 1.53% | 1.36% |
| Income taxes outside the United States | **(1.81%)** | (0.20%) | (1.29%) |
| Other | **(0.79%)** | (0.27%) | 0.16% |
| Effective income tax rate | **34.70%** | 36.06% | 35.23% |

Federal and state income taxes have not been provided on accumulated but undistributed earnings of foreign subsidiaries aggregating approximately $5.3 billion at January 31, 2005 and $4.0 billion at January 31, 2004, as such earnings have been permanently reinvested in the business. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable. The American Jobs Creation Act, which was signed into law on October 22, 2004, created a special one-time tax deduction relating to the repatriation of certain foreign earnings. The Company has not completed its evaluation of the likelihood of repatriation of our foreign earnings and the resulting effect of the one-time tax deduction.

A valuation allowance has been established to reduce certain foreign subsidiaries' deferred tax assets relating primarily to net operating loss carryforwards. During the fourth quarter of fiscal 2004, as the result of new tax legislation in Germany, we re-evaluated the recoverability of the deferred tax asset related to our German operations. Based on the results of our review, we recorded a valuation allowance resulting in a charge of $150 million.

## 6 Acquisitions and Disposal

### *Acquisitions*

In February 2004, the Company completed its purchase of Bompreço S.A. Supermercados do Nordeste ("Bompreço"), a supermarket chain in northern Brazil with 118 hypermarkets, supermarkets and mini-markets. The purchase price was approximately $315 million, net of cash acquired. The results of operations for Bompreço, which were not material to the Company, have been included in the Company's consolidated financial statements since the date of acquisition.

During May 2002, the Company acquired its initial 6.1% stake in The Seiyu, Ltd. ("Seiyu"), a Japanese retail chain, for approximately $51 million. In December 2002, the Company exercised in full the first in the series of warrants granted allowing us to acquire 192.8 million new shares in Seiyu for approximately $432 million. Following this exercise and our purchase of 29.3 million additional Seiyu shares in other Seiyu securities offerings, our ownership percentage in Seiyu increased to approximately 37%. Through a series of warrants exercisable through 2007, the Company can contribute approximately ¥235 billion, or $2.3 billion at a January 31, 2005, exchange rate of 103.68 yen per dollar, for additional shares of Seiyu stock. If all the warrants are exercised, we will own approximately 70% of the stock of Seiyu by the end of December 2007. If the next tranche of warrants is exercised in December 2005, the Company will own more than 50% of Seiyu.

Also, in December 2002, the Company completed its purchase of Supermercados Amigo, Inc. ("Amigo"), a supermarket chain located in

Puerto Rico with 37 supermarkets, six of which were subsequently sold. The purchase price of approximately $242 million was financed by commercial paper. The transaction resulted in approximately $197 million of goodwill. The results of operations, which were not material, are included in the consolidated Company results since the date of acquisition.

### *Disposal*

On May 23, 2003, the Company completed the sale of McLane Company, Inc. (“McLane”). The Company received $1.5 billion in cash for the sale. The accompanying consolidated financial statements and notes reflect the gain on the sale and the operations of McLane as a discontinued operation.

Following is summarized financial information for McLane (in millions):

| **Fiscal years ended January 31,** | **2004** | **2003** |
| --- | --- | --- |
| Net sales | $4,328 | $14,907 |
| Income from discontinued operation | $ 67 | $ 221 |
| Income tax expense | 25 | 84 |
| Net operating income from discontinued operation | $ 42 | $ 137 |
| Gain on sale of McLane, net of $147 income tax expense | 151 | — |
| Income from discontinued operation, net of tax | $ 193 | $ 137 |

The effective tax rate on the gain from the sale of McLane was 49% as a result of the non-deductibility of $99 million of goodwill recorded in the original McLane acquisition.

**7 Stock-Based Compensation Plans**

On February 1, 2003, the Company adopted the expense recognition provisions of SFAS 123. Under SFAS 123, compensation expense is recognized based on the fair value of stock options granted. As a result, all prior periods presented have been restated to reflect the compensation cost that would have been recognized had the recognition provisions of SFAS 123 been applied to all awards granted to employees since February 1, 1995. Following the provisions of SFAS 123, fiscal 2005, 2004 and 2003 include $122 million, $102 million and $84 million, respectively, of after-tax stock option expense, which is approximately $0.03 per share in fiscal year 2005 and $0.02 per share for fiscal years 2004 and 2003.

In the United States and certain other countries, options granted under the stock option plans generally expire 10 years from the date of grant. Options granted prior to November 17, 1995, vest over nine years. Generally, options granted on or after November 17, 1995 and before fiscal 2001 vest over seven years. Options granted after fiscal 2001 vest over five years. Shares issued upon the exercise of options are newly issued.

The Company's United Kingdom subsidiary, ASDA, offers two different stock option plans to Associates. The first plan, The ASDA Colleague Share Ownership Plan 1999 ("CSOP") grants options to certain associates. Options granted under the CSOP Plan generally expire six years from the date of grant, with half vesting on the third anniversary of the date of grant and the other half on the sixth anniversary of the date of grant. The second plan, The ASDA Sharesave Plan 2000 ("Sharesave"), grants options to certain associates at 80% of market value on date of grant. Sharesave options become exercisable after either a three-year or five-year period and generally lapse six months after becoming exercisable.

At January 31, 2005, total unrecognized compensation cost for unvested stock option awards was $478 million, with a weighted-average remaining vesting period of 3.6 years.

At January 31, 2005, the aggregate intrinsic value of stock options outstanding and exercisable was $490 million and $361 million, respectively. The following table summarizes additional information about stock options outstanding as of January 31, 2005:

| Range of Exercise Prices | Number of Outstanding Options | Weighted-Average Remaining Life in Years | Weighted-Average Exercise Price of Outstanding Options | Number of Options Exercisable | Weighted-Average Remaining Life in Years | Weighted-Average Exercise Price of Exercisable Options |
|---|---|---|---|---|---|---|
| $ 4.24 to 11.19 | 700,000 | 1.1 | $ 11.12 | 689,000 | 1.1 | $ 11.12 |
| 11.75 to 13.63 | 3,085,000 | 1.5 | 11.84 | 3,067,000 | 1.5 | 11.84 |
| 17.53 to 23.33 | 3,819,000 | 3.0 | 19.35 | 3,764,000 | 3.0 | 19.35 |
| 25.00 to 38.72 | 2,233,000 | 5.6 | 35.23 | 462,000 | 5.3 | 26.86 |
| 39.86 to 45.69 | 5,624,000 | 5.6 | 40.34 | 2,648,000 | 4.0 | 40.15 |
| 46.00 to 54.98 | 54,889,000 | 8.3 | 50.76 | 12,770,000 | 6.7 | 49.57 |
| 55.25 to 60.90 | 10,041,000 | 7.2 | 56.51 | 4,303,000 | 7.0 | 56.43 |
| $ 4.24 to 60.90 | 80,391,000 | 7.3 | $ 47.03 | 27,703,000 | 5.2 | $ 40.12 |

Further information concerning the options is as follows:

| | Shares | Option Price Per Share | Weighted-Average Per Share | Total |
|---|---|---|---|---|
| January 31, 2002 (16,823,000 shares exercisable) | 53,470,000 | $ 4.24 – 63.44 | $ 32.25 | $1,724,537,000 |
| Options granted | 15,267,000 | 48.41 – 57.80 | 54.32 | 829,244,000 |
| Options canceled | (3,037,000) | 4.24 – 63.44 | 42.07 | (127,752,000) |
| Options exercised | (6,595,000) | 4.24 – 55.94 | 23.90 | (157,588,000) |
| January 31, 2003 (20,053,000 shares exercisable) | 59,105,000 | $ 4.24 – 60.90 | $ 38.38 | $2,268,441,000 |
| Options granted | 26,136,000 | 47.02 – 59.92 | 49.65 | 1,297,604,000 |
| Options canceled | (4,006,000) | 4.24 – 60.90 | 45.09 | (180,666,000) |
| Options exercised | (7,488,000) | 4.24 – 56.80 | 22.89 | (171,389,000) |
| January 31, 2004 (23,763,000 shares exercisable) | 73,747,000 | $ 4.24 – 60.90 | $ 43.58 | $3,213,990,000 |

| | | | | |
|---|---|---|---|---|
| **Options granted** | **18,575,000** | **44.60 – 60.46** | **52.37** | **972,825,000** |
| **Options canceled** | **(3,563,000)** | **4.24 – 58.10** | **48.01** | **(171,026,000)** |
| **Options exercised** | **(8,368,000)** | **4.24 – 56.80** | **28.08** | **(234,986,000)** |
| **January 31, 2005 (27,703,000 shares exercisable)** | **80,391,000** | **$ 4.24 – 60.90** | **$ 47.03** | **$3,780,803,000** |

At January 31, 2005 and 2004, there were 87.5 million and 102.5 million shares, respectively, available for grant under the Company's stock option plans.

The total intrinsic value of options exercised in fiscal 2005, 2004 and 2003 was $236 million, $251 million and $252 million, respectively. The income tax benefit resulting from the tax deductions triggered by employee exercise of stock options amounted to $78 million, $83 million and $84 million in fiscal 2005, 2004 and 2003, respectively.

The Company issues restricted (non-vested) stock to certain Associates which vests based on passage of time. Restricted stock awards are not included in the preceding tables. Restricted stock awards generally vest 25 percent after three years, 25 percent after five years and 50 percent at age 65. At January 31, 2005, 3 million restricted stock shares with vesting based on the passage of time were outstanding, with a weighted-average grant date value of $46.63.

The Company issues stock-based awards for which vesting is tied to the achievement of performance criteria. These awards accrue to the Associate based on the extent to which revenue growth and return on investment goals are attained or exceeded over a three-year period. Based on the extent to which the targets are achieved, vested shares may range from 0% to 150% of the original award amount. At January 31, 2005, awards representing 1.7 million shares were outstanding with a weighted-average grant date value of $53.15 per share. These awards are not included in the preceding table.

**8 Litigation**

The Company is involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. The lawsuits discussed below, if decided adversely to or settled by the Company, may result in liability material to the Company’s financial condition or results of operations. The Company may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements, if it believes settlement is in the best interests of the Company’s shareholders. In accordance with Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” the Company has made accruals with respect to these lawsuits, where appropriate, which are reflected in the Company’s consolidated financial statements.

The Company is a defendant in numerous cases containing class-action allegations in which the plaintiffs have brought claims under the Fair Labor Standards Act (“FLSA”), corresponding state statutes, or other laws. The plaintiffs in these lawsuits are current and former hourly Associates who allege, among other things, that the Company forced them to work “off the clock” and failed to provide work breaks. The complaints generally seek unspecified monetary damages, injunctive relief, or both. Class certification has yet to be addressed in a majority of the cases. Class certification has been denied or overturned in Arizona, Arkansas, Florida, Georgia, Indiana, Louisiana, Maryland, Michigan, North Carolina, Ohio, Texas (state court), West Virginia, and Wisconsin. Some or all of the requested classes have been certified in California, Colorado, Massachusetts, Minnesota, Oregon, and Washington. Conditional certifications for notice purposes under the FLSA have been allowed in Georgia, Michigan, and Texas (federal court).

A putative class action is pending in California challenging the methodology of payments made under various Associate incentive bonus plans, and a second putative class action in California asserts that the Company has omitted to include bonus payments in calculating Associates’ regular rate of pay for purposes of determining overtime.

The Company is currently a defendant in four putative class actions brought on behalf of assistant store managers who challenge their exempt status under the FLSA, which are pending in federal courts in Michigan, New Mexico, and Tennessee. A similar putative class action challenging the exempt status of Wal-Mart assistant store managers under California law has been filed in Los Angeles County Superior Court. No determination has been made as to class certification in any of these cases.

The Company is a defendant in *Dukes v. Wal-Mart Stores, Inc.* , a class-action lawsuit commenced in June 2001 and pending in the United States District Court for the Northern District of California. The case was brought on behalf of all past and present female employees in all of the Company’s retail stores and wholesale clubs in the United States. The complaint alleges that the Company has engaged in a pattern and practice of discriminating against women in promotions, pay, training and job assignments. The complaint seeks, among other things, injunctive relief, front pay, back pay, punitive damages, and attorneys’ fees. Following a hearing on class certification on September 24, 2003, on June 21, 2004, the District Court issued an order granting in part and denying in part the plaintiffs’ motion for class certification. The class, which was certified by the District Court for purposes of liability, injunctive and declaratory relief, punitive damages, and lost pay, subject to certain exceptions, includes all women employed at any Wal-Mart domestic retail store at any time since December 26, 1998, who have been or may be subjected to the pay and management track promotions policies and practices challenged by the plaintiffs. The class as certified currently includes approximately 1.6 million present and former female Associates.

The Company believes that the District Court’s ruling is incorrect. The United States Court of Appeals for the Ninth Circuit has granted the Company’s petition for discretionary review of the ruling. If the Company is not successful in its appeal of class certification, or an appellate court issues a ruling that allows for the certification of a class or classes with a different size or scope, and if there is a subsequent adverse verdict on the merits from which there is no successful appeal, or in the event of a negotiated settlement of the litigation, the resulting liability could be material to the Company. The plaintiffs also seek punitive damages which, if awarded, could result in the payment of additional amounts material to the Company. However, because of the uncertainty of the outcome of the appeal from the District Court’s certification decision, because of the uncertainty of the balance of the proceedings contemplated by the District Court, and because the Company’s liability, if any, arising from the litigation, including the size of any damages award if plaintiffs are successful in the litigation or any negotiated settlement, could vary widely, the Company cannot reasonably estimate the possible loss or range of loss which may arise from the litigation.

The Company is a defendant in four putative class-action lawsuits, three of which are pending in Texas, and one in Oklahoma. In each lawsuit, the plaintiffs seek a declaratory judgment that Wal-Mart and the other defendants who purchased Corporate-Owned Life Insurance ("COLI") policies lacked an insurable interest in the lives of the employees who were insured under the policies, and seek to recover the proceeds of the policies under theories of unjust enrichment and constructive trust. In some of the suits, the plaintiffs assert other causes of action, and seek punitive damages. In January 2004, the parties to the first-filed Texas lawsuit signed a settlement agreement, which received final approval from the court on October 28, 2004. The settlement will include all Texas COLI claimants who do not opt out of the settlement class. The amount to be paid by Wal-Mart under the settlement will not have a material impact on the Company's financial condition or results of operations. In the Oklahoma litigation, the court has deferred ruling on plaintiffs' request to add 11 additional states to the litigation, pending a ruling on the Company's motion for summary judgment.

The Company is a defendant in *Mauldin v. Wal-Mart Stores, Inc.*, a class-action lawsuit that was filed on October 16, 2001, in the United States District Court for the Northern District of Georgia, Atlanta Division. The class was certified on August 23, 2002. On September 30, 2003, the court denied the Company's motion to reconsider that ruling. The class is composed of female Wal-Mart Associates who were participants in the Associates Health and Welfare Plan at any time from March 8, 2001, to the present and who were using prescription contraceptives. The class seeks amendment of the Plan to include coverage for prescription contraceptives, back pay for all members in the form of reimbursement of the cost of prescription contraceptives, pre-judgment interest, and attorneys' fees. The complaint alleges that the Company's Health Plan violates Title VII's prohibition against gender discrimination in that the Health Plan's Reproductive Systems provision does not provide coverage for prescription contraceptives.

The Company is a defendant in a lawsuit that was filed on August 24, 2001, in the United States District Court for the Eastern District of Kentucky. EEOC *(Janice Smith) v. Wal-Mart Stores, Inc.* is an action brought by the EEOC on behalf of Janice Smith and all other females who made application or transfer requests at the London, Kentucky, Distribution Center from 1995 to the present, and who were not hired or transferred into the warehouse positions for which they applied. The class seeks back pay for those females not selected for hire or transfer during the relevant time period. The class also seeks injunctive and prospective affirmative relief. The complaint alleges that the Company based hiring decisions on gender in violation of Title VII of the 1964 Civil Rights Act as amended. The EEOC can maintain this action as a class without certification.

## 9 Commitments

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including, for certain leases, amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under operating leases and other short-term rental arrangements were $1.2 billion, $1.1 billion, and $1.1 billion in 2005, 2004, and 2003, respectively. Aggregate minimum annual rentals at January 31, 2005, under non-cancelable leases are as follows (in millions):

| Fiscal year | Operating Leases | Capital Leases |
|---|---|---|
| 2006 | $ 730 | $ 521 |
| 2007 | 700 | 514 |
| 2008 | 626 | 505 |
| 2009 | 578 | 490 |
| 2010 | 530 | 468 |
| Thereafter | 5,908 | 3,222 |
| Total minimum rentals | $ 9,072 | 5,720 |
| Less estimated executory costs | | 42 |
| Net minimum lease payments | | 5,678 |
| Less imputed interest at rates ranging from 4.2% to 14.0% | | 1,886 |
| Present value of minimum lease payments | | $3,792 |

The Company has entered into sale/leaseback transactions involving buildings and the underlying land that were accounted for as capital and operating leases. Included in the annual maturities schedule above are $308 million of capital leases and $32 million of operating leases.

Certain of the Company's leases provide for the payment of contingent rentals based on a percentage of sales. Such contingent rentals amounted to $42 million, $46 million and $51 million in 2005, 2004 and 2003, respectively. Substantially all of the Company's store leases have renewal options, some of which may trigger an escalation in rentals.

In connection with the expansion of our distribution network in Canada, we have guaranteed specific obligations of a third-party logistics provider. In the unlikely event this provider fails to perform its financial obligations regarding certain Wal-Mart related projects, we would be obligated to pay an amount of up to $118 million. These agreements cover periods of up to 10 years.

In connection with certain debt financing, we could be liable for early termination payments if certain unlikely events were to occur. At January 31, 2005, the aggregate termination payment was $113 million. These arrangements expire in fiscal 2011 and fiscal 2019.

In connection with the development of our grocery distribution network in the United States, we have agreements with third parties which would require us to purchase or assume the leases on certain unique equipment in the event the agreements are terminated. These agreements, which can be terminated by either party at will, cover up to a five-year period and obligate the Company to pay up to approximately $163 million upon termination of some or all of these agreements.

There are no recourse provisions which would enable us to recover from third parties any amounts paid under the above guarantees. No liability for these guarantees has been recorded in our financial statements.

The Company has entered into lease commitments for land and buildings for 46 future locations. These lease commitments with real estate developers provide for minimum rentals ranging from 5-30 years, which if consummated based on current cost estimates, will approximate $30 million annually over the lease terms.

**10 Retirement-Related Benefits**

In the United States, the Company maintains a Profit Sharing and 401(k) Retirement Savings Plan under which most full-time and many part-time Associates become participants following one year of employment. The Profit Sharing component of the plan is entirely funded by the Company, with an additional contribution made by the Company to the Associates' 401(k) component of the plan. In addition to the Company contributions to the 401(k) Retirement Savings component of the plan, Associates may elect to contribute a percentage of their earnings. During fiscal 2005, participants could contribute up to 25% of their pretax earnings, but not more than statutory limits.

Associates may choose from among 13 different investment options for the 401(k) Retirement Savings component of the plan. For Associates who did not make an election, their 401(k) balance in the plan is placed in a balanced fund. Associates are immediately vested in their 401(k) funds and may change their investment options at any time. Additionally, fully vested Associates have the same 13 investment options for the Profit Sharing component of the plan. Associates are fully vested in the Profit Sharing component of the plan after seven years of service.

Annual contributions made by the Company to the United States and Puerto Rico Profit Sharing and 401(k) Retirement Savings Plans are made at the sole discretion of the Company, and were $756 million, $662 million and $574 million in fiscal 2005, 2004, and 2003, respectively.

Employees in foreign countries who are not U.S. citizens are covered by various postemployment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the country in which they are established. Annual contributions to foreign retirement savings and profit sharing plans are made at the discretion of the Company, and were $199 million, $123 million and $132 million in fiscal 2005, 2004 and 2003, respectively.

The Company's United Kingdom subsidiary, ASDA, has a defined benefit pension plan. The plan was underfunded by $419 million and $328 million at January 31, 2005 and 2004, respectively.

**11 Segments**

The Company and its subsidiaries are principally engaged in the operation of retail stores located in all 50 states, Argentina, Canada, Germany, South Korea, Puerto Rico and the United Kingdom, through joint ventures in China, and through majority-owned subsidiaries in Brazil and Mexico. The Company identifies segments based on management responsibility within the United States and in total for international units.

The Wal-Mart Stores segment includes the Company's Supercenters, Discount Stores and Neighborhood Markets in the United States as well as Walmart.com. The SAM'S CLUB segment includes the warehouse membership clubs in the United States as well as sams-club.com. The International segment consists of the Company's operations in Argentina, Brazil, China, Germany, Mexico, South Korea and the United Kingdom, which are consolidated using a December 31 fiscal year-end, generally due to statutory reporting requirements. There were no significant intervening events which materially affected the financial statements. The Company's operations in Canada and Puerto Rico are consolidated using a January 31 fiscal year-end. The amounts under the caption "Other" in the following table are unallocated corporate overhead, including our real estate operations in the United States. The Company's portion of the results of our unconsolidated minority interest in Seiyu, is also included under the caption "Other."

The Company measures the profit of its segments as “segment operating income,” which is defined as income from continuing operations before net interest expense, income taxes and minority interest. Information on segments and the reconciliation to income from continuing operations before income taxes and minority interest are as follows (in millions):

| Fiscal Year Ended January 31, 2005 | Wal-Mart Stores | SAM’S CLUB | International | Other | Consolidated |
|---|---|---|---|---|---|
| Revenues from external customers | **$ 191,826** | **$ 37,119** | **$ 56,277** | **$ —** | **$ 285,222** |
| Intercompany real estate charge (income) | **2,754** | **513** | **—** | **(3,267)** | **—** |
| Depreciation and amortization | **1,702** | **274** | **919** | **1,510** | **4,405** |
| Operating income (loss) | **14,163** | **1,280** | **2,988** | **(1,340)** | **17,091** |
| Interest expense, net | | | | | **(986)** |
| Income from continuing operations before income taxes and minority interest | | | | | **$ 16,105** |
| Total assets of continuing operations | **$ 29,489** | **$ 5,685** | **$ 40,981** | **$44,068** | **$ 120,223** |

| Fiscal Year Ended January 31, 2004 | Wal-Mart Stores | SAM’S CLUB | International | Other | Consolidated |
|---|---|---|---|---|---|
| Revenues from external customers | $ 174,220 | $ 34,537 | $ 47,572 | $ — | $ 256,329 |
| Intercompany real estate charge (income) | 2,468 | 484 | — | (2,952) | — |
| Depreciation and amortization | 1,482 | 249 | 810 | 1,311 | 3,852 |
| Operating income (loss) | 12,916 | 1,126 | 2,370 | (1,387) | 15,025 |
| Interest expense, net | | | | | (832) |
| Income from continuing operations before income taxes and minority interest | | | | | $ 14,193 |
| Total assets of continuing operations | $ 27,028 | $ 4,751 | $ 35,230 | $38,396 | $ 105,405 |

| Fiscal Year Ended January 31, 2003 | Wal-Mart Stores | SAM’S CLUB | International | Other | Consolidated |
|---|---|---|---|---|---|
| Revenues from external customers | $ 157,120 | $ 31,702 | $ 40,794 | $ — | $ 229,616 |
| Intercompany real estate charge (income) | 2,228 | 453 | — | (2,681) | — |
| Depreciation and amortization | 1,287 | 216 | 639 | 1,222 | 3,364 |
| Operating income (loss) | 11,840 | 1,023 | 1,998 | (1,566) | 13,295 |
| Interest expense, net | | | | | (927) |
| Income from continuing operations before income taxes and minority interest | | | | | $ 12,368 |
| Total assets of continuing operations | $ 24,868 | $ 4,404 | $ 30,709 | $32,919 | $ 92,900 |

Certain information for fiscal years 2004 and 2003 has been reclassified to conform to current-year presentation.

In the United States, long-lived assets, net, excluding goodwill were $48.9 billion and $42.7 billion January 31, 2005 and 2004, respectively. In the United States, additions to long-lived assets were $9.8 billion, $8.1 billion and $7.4 billion at January 31, 2005, 2004 and 2003, respectively. Outside of the United States, long-lived assets, net, excluding goodwill were $19.7 billion and $16.4 billion in fiscal 2005 and 2004, respectively. Outside of the United States, additions to long-lived assets were $3.1 billion, $2.2 billion and $1.8 billion in fiscal 2005, 2004 and 2003, respectively. The International segment includes all real estate outside the United States. The operations of the Company’s ASDA subsidiary are significant in comparison to the total operations of the International segment. ASDA sales during fiscal 2005, 2004 and 2003 were $26.0 billion, $21.7 billion and $18.1 billion, respectively. At January 31, 2005 and 2004, ASDA long-lived assets, consisting primarily of property and equipment, net, and goodwill, net, totaled $18.9 billion and $16.3 billion, respectively.

## 12 Quarterly Financial Data (Unaudited)

| Amounts in millions, except per share information | Quarters ended April 30, | July 31, | October 31, | January 31, |
|---|---|---|---|---|
| **2005** | | | | |
| Net sales | $64,763 | $69,722 | $ 68,520 | $ 82,216 |
| Cost of sales | 49,969 | 53,533 | 52,567 | 63,723 |
| Income from continuing operations | 2,166 | 2,651 | 2,286 | 3,164 |
| Net income | $ 2,166 | $ 2,651 | $ 2,286 | $ 3,164 |
| Basic and diluted net income per common share | $ 0.50 | $ 0.62 | $ 0.54 | $ 0.75 |
| **2004** | | | | |
| Net sales | $56,718 | $62,637 | $ 62,480 | $ 74,494 |
| Cost of sales | 43,918 | 48,298 | 48,292 | 58,239 |
| Income from continuing operations | 1,830 | 2,283 | 2,028 | 2,722 |
| Income from discontinued operation | 31 | 161 | — | — |
| Net income | $ 1,861 | $ 2,444 | $ 2,028 | $ 2,722 |
| Basic net income per common share: | | | | |
| Income from continuing operations | $ 0.41 | $ 0.52 | $ 0.46 | $ 0.63 |
| Income from discontinued operation | 0.01 | 0.04 | — | — |
| Basic net income per common share | $ 0.42 | $ 0.56 | $ 0.46 | $ 0.63 |
| Diluted net income per common share: | | | | |
| Income from continuing operations | $ 0.41 | $ 0.52 | $ 0.46 | $ 0.63 |
| Income from discontinued operation | 0.01 | 0.04 | — | — |
| Diluted net income per common share | $ 0.42 | $ 0.56 | $ 0.46 | $ 0.63 |

The sum of quarterly financial data will not agree to annual amounts due to rounding.

## 13 Subsequent Event

On March 3, 2005, the Company’s Board of Directors approved an annual dividend of $0.60 per share. The annual dividend will be paid in four quarterly installments on April 4, 2005, June 6, 2005, September 6, 2005, and January 3, 2006 to holders of record on March 18, May 20, August 19 and December 16, 2005, respectively.

**Report of Independent Registered Public Accounting Firm**

WAL-MART

The Board of Directors and Shareholders,
Wal-Mart Stores, Inc.

We have audited the accompanying consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wal-Mart Stores, Inc. at January 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Wal-Mart Stores, Inc.'s internal control over financial reporting as of January 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 25, 2005 expressed an unqualified opinion thereon.

Ernst + Young LLP

Rogers, Arkansas
March 25, 2005

## Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

WAL-MART

The Board of Directors and Shareholders,
Wal-Mart Stores, Inc.

We have audited management's assessment, included in the accompanying Management's Report to Our Shareholders under the caption "Report on Internal Control Over Financial Reporting," that Wal-Mart Stores, Inc. maintained effective internal control over financial reporting as of January 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wal-Mart Stores, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Wal-Mart Stores, Inc. maintained effective internal control over financial reporting as of January 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Wal-Mart Stores, Inc., maintained, in all material respects, effective internal control over financial reporting as of January 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Wal-Mart Stores, Inc. as of January 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2005 and our report dated March 25, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Rogers, Arkansas
March 25, 2005

## Management's Report to Our Shareholders

WAL-MART

Management of Wal-Mart Stores, Inc. ("Wal-Mart") is responsible for the preparation, integrity and objectivity of Wal-Mart's consolidated financial statements and other financial information contained in this Annual Report to Shareholders. Those consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States. In preparing those consolidated financial statements, Management was required to make certain estimates and judgments, which are based upon currently available information and Management's view of current conditions and circumstances.

The Audit Committee of the Board of Directors, which consists solely of independent directors, oversees our process of reporting financial information and the audit of our consolidated financial statements. The Audit Committee stays informed of the financial condition of Wal-Mart and regularly reviews Management's financial policies and procedures, the independence of our independent auditors, our internal control and the objectivity of our financial reporting. Both the independent auditors and the internal auditors have free access to the Audit Committee and meet with the Audit Committee periodically, both with and without Management present.

We have retained Ernst & Young LLP, an independent registered public accounting firm, to audit our consolidated financial statements found in this annual report. We have made available to Ernst & Young LLP all of our financial records and related data in connection with their audit of our consolidated financial statements.

We have filed with the Securities and Exchange Commission the required certifications related to our consolidated financial statements as of and for the year ended January 31, 2005. These certifications are attached as exhibits to our Annual Report on Form 10-K for the year ended January 31, 2005. Additionally, we have also provided to the New York Stock Exchange the required annual certification of our Chief Executive Officer regarding our compliance with the New York Stock Exchange's corporate governance listing standards.

### Report on Internal Control Over Financial Reporting.

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2005. In making its assessment, Management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control—Integrated Framework* . Management concluded that based on its assessment, Wal-Mart's internal control over financial reporting was effective as of January 31, 2005. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report to Shareholders.

### Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to Management in a timely fashion. Management has assessed the effectiveness of these disclosure controls and procedures as of January 31, 2005 and determined they were effective as of that date to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to Management, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

### Report on Ethical Standards.

Our Company was founded on the belief that open communications and the highest standard of ethics are necessary to be successful. Our long-standing "Open Door" communication policy helps Management be aware of and address issues in a timely and effective manner. Through the open door policy all Associates are encouraged to inform Management at the appropriate level when they are concerned about any matter pertaining to Wal-Mart.

Wal-Mart has adopted a Statement of Ethics to guide our Associates in the continued observance of high ethical standards such as honesty, integrity and compliance with the law in the conduct of Wal-Mart's business. Familiarity and compliance with the Statement of Ethics is required of all Associates who are part of Management. The Company also maintains a separate Code of Ethics for our senior financial officers. Wal-Mart also has in place a Related-Party Transaction Policy. This policy applies to all of Wal-Mart's Officers and Directors and requires material related-party transactions to be reviewed by the Audit Committee. The Officers and Directors are required to report material related-party transactions to Wal-Mart. We maintain an ethics office which oversees and administers an ethics hotline. The ethics hotline provides a channel for Associates to make confidential and anonymous complaints regarding potential violations of our statements of ethics, including violations related to financial or accounting matters.

Lee Scott

H. Lee Scott
*President and Chief Executive Officer*

Thomas M. Schoewe
*Executive Vice President and Chief Financial Officer*

**Fiscal 2005 End-of-Year Store Count**

WAL-MART

| State | Discount Stores | Supercenters | SAM'S CLUBS | Neighborhood Markets |
|---|---|---|---|---|
| Alabama | 18 | 71 | 11 | 2 |
| Alaska | 7 | 0 | 3 | 0 |
| Arizona | 18 | 33 | 11 | 5 |
| Arkansas | 26 | 54 | 5 | 6 |
| California | 149 | 3 | 33 | 0 |
| Colorado | 15 | 40 | 15 | 0 |
| Connecticut | 28 | 4 | 3 | 0 |
| Delaware | 3 | 4 | 1 | 0 |
| Florida | 53 | 116 | 38 | 6 |
| Georgia | 23 | 88 | 21 | 0 |
| Hawaii | 7 | 0 | 2 | 0 |
| Idaho | 3 | 14 | 1 | 0 |
| Illinois | 78 | 45 | 28 | 0 |
| Indiana | 31 | 56 | 15 | 4 |
| Iowa | 20 | 33 | 7 | 0 |
| Kansas | 19 | 34 | 6 | 3 |
| Kentucky | 26 | 52 | 5 | 2 |
| Louisiana | 26 | 56 | 12 | 1 |
| Maine | 11 | 11 | 3 | 0 |
| Maryland | 33 | 6 | 13 | 0 |
| Massachusetts | 42 | 2 | 3 | 0 |
| Michigan | 41 | 30 | 24 | 0 |
| Minnesota | 33 | 16 | 13 | 0 |
| Mississippi | 14 | 51 | 6 | 1 |
| Missouri | 46 | 70 | 14 | 0 |
| Montana | 4 | 7 | 1 | 0 |
| Nebraska | 8 | 16 | 3 | 0 |
| Nevada | 9 | 12 | 5 | 4 |
| New Hampshire | 19 | 7 | 4 | 0 |
| New Jersey | 38 | 0 | 9 | 0 |
| New Mexico | 3 | 24 | 5 | 0 |
| New York | 53 | 27 | 18 | 0 |
| North Carolina | 41 | 65 | 19 | 0 |
| North Dakota | 8 | 0 | 2 | 0 |
| Ohio | 69 | 45 | 27 | 0 |
| Oklahoma | 33 | 49 | 8 | 14 |
| Oregon | 20 | 7 | 0 | 0 |
| Pennsylvania | 49 | 60 | 21 | 0 |
| Rhode Island | 7 | 1 | 1 | 0 |
| South Carolina | 16 | 45 | 9 | 0 |
| South Dakota | 5 | 5 | 2 | 0 |
| Tennessee | 21 | 75 | 15 | 4 |
| Texas | 80 | 219 | 69 | 28 |
| Utah | 4 | 24 | 7 | 5 |
| Vermont | 4 | 0 | 0 | 0 |
| Virginia | 22 | 56 | 13 | 0 |
| Washington | 24 | 13 | 3 | 0 |
| West Virginia | 6 | 23 | 4 | 0 |
| Wisconsin | 38 | 37 | 11 | 0 |
| Wyoming | 2 | 7 | 2 | 0 |
| **U.S. Totals** | **1,353** | **1,713** | **551** | **85** |

**International/Worldwide**

| Country | Discount Stores | Supercenters | SAM'S CLUBS | Neighborhood Markets |
|---|---|---|---|---|
| Argentina | 0 | 11 | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| Brazil | 118* | 17 | 12 | 2* |
| Canada | 256 | 0 | 6 | 0 |
| China | 0 | 38 | 3 | 2 |
| Germany | 0 | 91 | 0 | 0 |
| South Korea | 0 | 16 | 0 | 0 |
| Mexico | 529† | 89 | 61 | 0 |
| Puerto Rico | 9 | 4 | 9 | 32** |
| United Kingdom | 263§ | 19 | 0 | 0 |
| **International Totals** | **1,175** | **285** | **91** | **36** |
| **Grand Totals** | **2,528** | **1,998** | **642** | **121** |

* *Brazil includes 2 Todo Dias, 118 Bompreço .*

† *Mexico includes 162 Bodegas, 50 Suburbias, 48 Superamas, 269 Vips and does not include Vips franchises .*

** *Puerto Rico includes 32 Amigos .*

§ *United Kingdom includes 256 ASDA Stores, 6 George Stores and 1 ASDA Living.*

## Corporate Information

WAL- MART

**Registrar and Transfer Agent:**

EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, Rhode Island 02940-3069
1-800-438-6278
TDD for hearing-impaired inside the U.S.: 1-800-952-9245
Internet: http://www.equiserve.com
Dividend Reinvestment and Direct Stock Purchase Available

**Listings – Stock Symbol: WMT**

New York Stock Exchange
Pacific Stock Exchange

**Annual Meeting:**

Our Annual Meeting of Shareholders will be held on Friday, June 3, 2005, at 8:45 a.m. in Bud Walton Arena on the University of Arkansas campus, Fayetteville, Arkansas. Pre-meeting activities start at 7:00 a.m.

**Communication with Shareholders:**

Wal-Mart Stores, Inc. periodically communicates with its Shareholders and other members of the investment community about our operations. For further information regarding our policy on Shareholders and Investor Communications refer to our website www.walmartstores.com.

**Independent Registered Public Accounting Firm:**

Ernst & Young LLP
5414 Pinnacle Point Dr.
Suite 102
Rogers, AR 72758

**Corporate Address:**
Wal-Mart Stores, Inc.
702 S.W. 8th Street
Bentonville, Arkansas 72716
Telephone: (479) 273-4000
Retail Internet Sites:
- http://www.walmart.com
- http://www.samsclub.com

Corporate Internet Sites:
- http://www.walmartstores.com
- http://www.walmartfacts.com

*The following reports are available without charge upon request by writing the Company c/o Investor Relations or by calling (479) 273-8446. These reports are also available via the corporate website.*

- Annual Report on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Sales and Earnings Releases
- Copy of Proxy Statement
- Supplier Standards Report

**Trustees**

3.375%, 4.00%, 4.125%, 4.15%,
4.375%, 4.55%, 5.006%, 5.45%,
5.875%, 6.75%, 6.875%,
7.25%, 7.55%, 8.0%,
Notes, Marks SM , Wal-Mart Canada
Venture Corp - 5.58%,
EuroNotes © 2.792%
J.P. Morgan
Institutional Trust Services
2001 Bryan Street - 9th Floor
Dallas, Texas 75201

Global Notes - (GBP)
4.75%, 5.25%, 5.75%
J.P. Morgan
Institutional Trust Services
Trinity Tower
9 Thomas More Street
London E1W 1YT

Pass Through Certificates
1992-A-1-7.49%
1992-A-2-8.07%

Sale/Leaseback Transaction
(Wal-Mart Retail Trust I, II, III)
US Bank, N.A.

Wells Fargo Bank
229 South Main Street – 12th Floor
Salt Lake City, Utah 84111

Corporate Trust Services
P.O. Box 960778
Boston, Massachusetts
02102-0778

Pass Through Certificates
1994-A-1-8.57%
1994-A-2-8.85%
J.P. Morgan
Institutional Trust Services
2001 Bryan Street – 9th Floor
Dallas, Texas 75201

Sale/Leaseback Transaction
Series B - 8.75%
Series C - 8.875%
J.P. Morgan
Institutional Trust Services
2001 Bryan Street - 9th Floor
Dallas, Texas 75201

Pass Through Certificates
(Wal-Mart Retail Trust IV, V)
1994-B-1-8.45%
1994-B-2-8.62%
1994-B-3-8.80%
J.P. Morgan
Institutional Trust Services
2001 Bryan Street – 9th Floor
Dallas, Texas 75201

Sale/Leaseback Transaction
WMS I Series C- 8.72%
J.P. Morgan
Institutional Trust Services
2001 Bryan Street - 9th Floor
Dallas, Texas 75201

**Market Price of Common Stock**

Fiscal year ended January 31,

| | 2004 | | 2005 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| 1st Quarter | $56.58 | $46.74 | $61.05 | $54.69 |
| 2nd Quarter | $57.32 | $52.00 | $57.68 | $51.76 |
| 3rd Quarter | $60.08 | $55.27 | $54.97 | $51.33 |
| 4th Quarter | $59.04 | $50.74 | $57.70 | $52.02 |

**Fiscal year ended January 31,**

| | 2006 | |
|---|---|---|
| | High | Low |
| 1st Quarter* | $53.51 | $50.65 |

* *Through March 30, 2005*

**Certifications**

The Company's Chief Executive Officer and Chief Financial Officer have filed their certifications as required by the Securities and Exchange Commission (the "SEC") regarding the quality of the Company's public disclosure for each of the periods ended during the Company's fiscal year ended January 31, 2005 and the effectiveness of internal control over financial reporting as of January 31, 2005. Further, the Company's Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that he is not aware of any violation by the Company of the NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards.

**Shareholders**

As of March 30, 2005, there were 328,620 holders of record of Wal-Mart's Common Stock.

**Dividends Paid Per Share**

Fiscal year ended January 31, 2004

| | |
|---|---|
| April 7, 2003 | $0.090 |
| July 7, 2003 | $0.090 |
| October 14, 2003 | $0.090 |
| January 5, 2004 | $0.090 |

**Dividends Paid Per Share**

Fiscal year ended January 31, 2005

| | |
|---|---|
| April 5, 2004 | $0.130 |
| June 7, 2004 | $0.130 |
| September 7, 2004 | $0.130 |

| | |
|---|---|
| January 3, 2005 | $0.130 |

**Dividends Payable Per Share**

Fiscal year ended January 31, 2006

| | |
|---|---|
| April 4, 2005 | $0.150 |
| June 6, 2005 | $0.150 |
| September 6, 2005 | $0.150 |
| January 3, 2006 | $0.150 |

**Board of Directors**

WAL- MART

**James W. Breyer**

Mr. Breyer is the Managing Partner of Accel Partners, a venture capital firm.

**M. Michele Burns**

Ms. Burns is the Chief Financial Officer of the Mirant Corporation.

**Douglas N. Daft**

Mr. Daft is the retired Chief Executive Officer and Chairman of the Board of Directors of The Coca-Cola Company.

**David D. Glass**

David D. Glass is Chairman of the Executive Committee of the Board of Directors of Wal-Mart.

**Roland A. Hernandez**

Mr. Hernandez is the retired Chief Executive Officer and Chairman of the Board of Directors of Telemundo Group, Inc., a Spanish-language television station company.

**John D. Opie**

Mr. Opie is the retired Vice Chairman of the Board of Directors and Executive Officer of the General Electric Co., a diversified technology, services, and products company.

**J. Paul Reason**

Mr. Reason is the President and Chief Operating Officer of Metro Machine Corporation, an employee-owned ship repair company.

**H. Lee Scott, Jr.**

H. Lee Scott, Jr. is the President and Chief Executive Officer of Wal-Mart.

**Jack C. Shewmaker**

Mr. Shewmaker is the President of J-COM, Inc., a consulting company, a retired Wal-Mart executive and a rancher.

**Jose H. Villarreal**

Mr. Villarreal is a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P.

**John T. Walton**

Mr. Walton is the Chairman of True North Partners, L.L.C., which holds investments in technology companies.

**S. Robson Walton**

S. Robson Walton is chairman of the Board of Wal-Mart.

**Christopher J. Williams**

Mr. Williams is the Chairman of the Board and Chief Executive Officer of The Williams Capital Group, L.P., an investment bank.

**Senior Officers**

WAL-MART

**Eduardo Castro-Wright**

Executive Vice President and Chief Operating Officer, Wal-Mart Stores Division

**M. Susan Chambers**

Executive Vice President, Risk Management, Insurance and Benefits Administration

**Robert F. Connolly**

Executive Vice President, Marketing and Consumer Communications, Wal-Mart Stores Division

**Douglas J. Degn**

Executive Vice President, Food, Consumables and Hardlines Merchandising, Wal-Mart Stores Division

**David J. Dible**

Executive Vice President, Specialty Group, Wal-Mart Stores Division

**Linda M. Dillman**

Executive Vice President and Chief Information Officer

**Michael T. Duke**
Executive Vice President, President and Chief Executive Officer, Wal-Mart Stores Division

**Joseph J. Fitzsimmons**
Senior Vice President, Finance and Treasurer

**Rollin L. Ford**
Executive Vice President, Logistics and Supply Chain

**David D. Glass**
Chairman of the Executive Committee of the Board of Directors

**Craig R. Herkert**
Executive Vice President, President and Chief Executive Officer, The Americas, Wal-Mart International

**Charles M. Holley, Jr.**
Senior Vice President and Controller

**Thomas D. Hyde**
Executive Vice President and Corporate Secretary

**Lawrence V. Jackson**
Executive Vice President, People Division

**C. Douglas McMillon**
Executive Vice President, Merchandising and Replenishment, SAM'S CLUB

**John B. Menzer**
Executive Vice President, President and Chief Executive Officer, Wal-Mart International

**Thomas M. Schoewe**
Executive Vice President and Chief Financial Officer

**H. Lee Scott, Jr.**
President and Chief Executive Officer

**Gregory E. Spragg**
Executive Vice President, Operations, SAM'S CLUB

**B. Kevin Turner**
Executive Vice President, President and Chief Executive Officer, SAM'S CLUB

**S. Robson Walton**
Chairman of the Board of Directors

**Claire A. Watts**
Executive Vice President, Product Development, Apparel and Home Merchandising, Wal-Mart Stores Division



**EXHIBIT 21**

## SUBSIDIARIES OF WAL-MART STORES, INC.

The following list details certain of the subsidiaries of Wal-Mart Stores, Inc. Subsidiaries not included in the list are omitted because, in the aggregate, they are insignificant as defined by Item 601(b)(21) of Regulation S-K.

| SUBSIDIARY | ORGANIZED OR INCORPORATED | PERCENT OF EQUITY SECURITIES OWNED | NAME UNDER WHICH DOING BUSINESS OTHER THAN SUBSIDIARY'S |
|---|---|---|---|
| Wal-Mart Stores East, LP | Delaware, U. S. | 100% | Wal-Mart |
| Wal-Mart Property Company | Delaware, U. S. | 100% | NA |
| Wal-Mart Real Estate Business Trust | Delaware, U. S. | 100% | NA |
| ASDA Group Limited | England | 100% | ASDA/Wal-Mart |



**EXHIBIT 23**

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Wal-Mart Stores, Inc. of our reports dated March 25, 2005, with respect to the consolidated financial statements of Wal-Mart Stores, Inc., Wal-Mart Stores, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Wal-Mart Stores, Inc., included in the 2005 Annual Report to Shareholders of Wal-Mart Stores, Inc.

We consent to the incorporation by reference in the following Registration Statements:

| | | |
|---|---|---|
| (1) | Stock Option Plan of 1984 of Wal-Mart Stores, Inc., as amended | Form S-8 File Nos. 2-94358 and 1-6991 |
| (2) | Stock Option Plan of 1994 of Wal-Mart Stores, Inc., as amended | Form S-8 File No. 33-55325 |
| (3) | Debt Securities and Pass-Through Certificates of Wal-Mart Stores, Inc. | Form S-3 File No. 33-55725 |
| (4) | Director Compensation Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-24259 |
| (5) | Debt Securities of Wal-Mart Stores, Inc | Form S-3 File No. 33-53125 |
| (6) | Dividend Reinvestment and Stock Purchase Plan of Wal-Mart Stores, Inc. | Form S-3 File No. 333-2089 |
| (7) | 401(k) Retirement Savings Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-29847 |
| (8) | 401(k) Retirement Savings Plan of Wal-Mart Puerto Rico, Inc. | Form S-8 File No. 33-44659 |
| (9) | Registration Statement Covering 14,710,000 Shares of Common Stock of Wal-Mart Stores, Inc. | Form S-3 File No. 333-56993 |
| (10) | Associate Stock Purchase Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-62965 |
| (11) | Stock Incentive Plan of Wal-Mart Stores, Inc. | Form S-8 File No. 333-60329 |
| (12) | The ASDA Colleague Share Ownership Plan 1<br>The ASDA Group Long Term Incentive Plan 1<br>The ASDA Group PLC Sharesave Scheme 1<br>The ASDA 1984 Executive Share Option Scheme 1<br>The ASDA 1994 Executive Share Option Scheme 1 | Form S-8 File No. 333-84027 |
| (13) | The ASDA Colleague Share Ownership Plan 1999 | Form S-8 File No. 333-88501 |
| (14) | Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-64740 |
| (15) | Debt Securities of Wal-Mart Cayman Canadian Finance Co. | Form S-3 File No. 333-64740-01 |
| (16) | Debt Securities of Wal-Mart Cayman Euro Finance Co. | Form S-3 File No. 333-64740-02 |
| (17) | Debt Securities of Wal-Mart Cayman Sterling Finance Co. | Form S-3 File No. 333-64740-03 |
| (18) | Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-101847 |
| (19) | Registration Statement Covering 16,000,000 Shares of Common Stock of Wal-Mart Stores, Inc. | Form S-3 File No. 333-101859 |
| (20) | Wal-Mart Profit Sharing and 401(k) Plan | Form S-8 File No. 333-109421 |
| (21) | Associate Stock Purchase Plan of 1996 | Form S-8 File No. 333-109417 |
| (22) | Wal-Mart Puerto Rico Profit Sharing and 401(k) Plan | Form S-8 File No. 333-109414 |
| (23) | ASDA Colleague Share Ownership Plan 1999 and<br>ASDA Sharesave Plan 2000 | Form S-8 File No. 333-107439 |
| (24) | Debt Securities of Wal-Mart Stores, Inc. | Form S-3 File No. 333-101847; |

of our report dated March 25, 2005, with respect to the consolidated financial statements of Wal-Mart Stores, Inc. incorporated herein by reference, our report dated March 25, 2005, with respect to Wal-Mart Stores, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Wal-Mart Stores, Inc., incorporated by reference in this Annual Report (Form 10-K) for the year ended January 31, 2005.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 25, 2005

**EXHIBIT 31.1**

I, H. Lee Scott, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Wal-Mart Stores, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2005

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer



**EXHIBIT 31.2**

I, Thomas M. Schoewe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Wal-Mart Stores, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2005

/s/ Thomas M. Schoewe

Thomas M. Schoewe
Executive Vice President
and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-K for the period ending January 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Lee Scott, Jr., President and Chief Executive Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of March 31, 2005.

/s/ H. Lee Scott, Jr.

H. Lee Scott, Jr.
President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.



**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Wal-Mart Stores, Inc. (the "Company") on Form 10-K for the period ending January 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas M. Schoewe, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

IN WITNESS WHEREOF, the undersigned has executed this Certificate, effective as of March 31, 2005.

/s/ Thomas M. Schoewe

Thomas M. Schoewe
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Wal-Mart Stores, Inc. and will be retained by Wal-Mart Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.